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Industrial Development Board

Twentieth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 19 November 1998, at 10 a.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 10.05 a.m.

OPENING OF THE SESSION

1. **The PRESIDENT** declared open the twentieth session of the Industrial Development Board.

ADOPTION OF THE AGENDA (IDB.20/1 and Add.1; IDB.20/CRP.6)

2. *The provisional agenda (IDB.20/1) was adopted.*

ELECTION OF OFFICERS

3. **The PRESIDENT** announced that Mr. Nizam Al-Din (Syrian Arab Republic) was unable to attend the session. Mr. Siage (Syrian Arab Republic) would be able to assume his functions as Vice-President.

4. Also, the elected Rapporteur, Mr. Kotov (Bulgaria), had left Vienna for another posting; Group D had proposed Mr. Spasov (Bulgaria) as Rapporteur.

5. *Mr. Siage (Syrian Arab Republic) and Mr. Spasov (Bulgaria) were elected by acclamation.*

ORGANIZATION OF WORK

6. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings where substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

7. *It was so decided.*

STATEMENT BY THE DIRECTOR-GENERAL

8. **Mr. MAGARIÑOS** (Director-General) said that the Board would have before it for consideration the report and conclusions of the Programme and Budget Committee (PBC) on a range of financial issues. He was particularly grateful to the PBC for its support for his proposed adjustments to the budget and for providing the necessary flexibility to carry through the transformation of UNIDO.

9. He would shortly complete his first year as Director-General. He had regarded the invitation to present his candidacy for that post as both an honour and a challenge: as an honour because the United Nations was still the best hope for humanity, and it would be a privilege to have the opportunity to work within an agency of the United Nations system for the promotion of development; and as a challenge because it represented a chance to transform UNIDO and thus to participate in the transformation of the whole multilateral development system, which, he believed, needed greater integration among its agencies and stronger links with the private sector and civil society.

10. Member States' discussion, at the fifth General Conference session in 1993, of the need for reform of UNIDO had, by the time of the presentation of his candidacy, become a clear demand for change. The Organization had then been passing through a critical period, with some Member States, including prominent donors, leaving or considering leaving, despite earlier reforms, substantive budget cuts and draconian staff reductions. He had been encouraged to take up the challenge by the adoption of the Business Plan on the Future Role and Functions of UNIDO, which he had seen as an expression of the genuine political will of Member States to transform UNIDO into an organization that was more focused, leaner, more flexible and much more responsive to the needs of its clients.

11. From the outset, he had refused to speak of "reform", which implied the introduction of measures to increase productivity within the same line of business, preferring to talk about "transformation", which implied systemic change, a new way of doing business, a new working culture and new investments. An organization like UNIDO must seek to bring about a cultural change throughout its management and staff. His previous service as a government minister had proved useful for what he was attempting to do in UNIDO. He had learned that it was possible to reform the financial system of an organization and revamp its administrative procedures, but that all those measures had to be carried out in an integrated manner in order to change the organization's culture. The new service modules had thus been prepared in a fully participatory manner, notwithstanding the considerable time required, and a new organizational structure and a completely new set of financial and administrative regulations had been introduced and a new staff career development system implemented.

12. It had then been necessary to show that the new culture worked in the field, where it really counted. The administrative reforms undertaken to date had already significantly decentralized the Organization's operations and delegated authority. While document IDB.20/CRP.4 gave a detailed description of achievements to date in the implementation of the field representation programme, he was aware that there was still more to be done in that area. While decentralization remained a top priority, it was a difficult process requiring a degree of sensitivity and care, which meant that speed might have to be sacrificed in the interests of proper preparation. A small number of countries had been selected to test the new working methods, the scope of the new integrated approach and the

new service modules. Eighteen case studies were being prepared in five developing regions—the maximum given the project workload and available resources.

13. An analysis of the Organization's operations would give an indication of the success of its transformation. Projected technical cooperation delivery for 1998 was $82 million, compared with actual delivery of $99 million for 1997, representing a fall of 17 per cent. Operational budget income showed a corresponding decline, from $13.3 million in 1997 to an estimated $10.9 million in 1998, a drop of 18 per cent. An examination by the Controller to identify the major causes for the decline in both cases had concluded that, disregarding the fact that implementation levels had been overestimated in the past, approximately 60 per cent of the drop could be explained by the one-time effect of the transformation exercise, including such aspects as structural reorganization and staff reassignment, additional work to define the new service modules, the new service delivery system, and discontinuation of services not in line with the Business Plan, the remaining 40 per cent being probably due to external factors beyond UNIDO's control and to the cyclical fluctuations experienced within each biennium.

14. Delivery was expected to increase in the coming months as the one-time effect of the transformation was worked out. In addition, he had taken several concrete measures to accelerate delivery. Also, approvals of new projects, excluding the 18 case studies, were lower than usual. While that indicated that the transformation process was changing the real life of the Organization, it would diminish revenues from technical cooperation activities, with consequent pressure to reduce costs in order to keep the operational budget in balance. That was a price which might have to be paid. However, it should be regarded as an investment in the future, in achieving the mandate of the Business Plan, and in providing conditions that would better serve the interests and needs of both donor and recipient countries.

15. Further investment was also needed from Member States, not to finance administration, the regular budget and personnel having been cut by 50 per cent in the past five years, but to support new technical cooperation activities. It was now necessary to work together to transform the nature, structure and size of the voluntary contributions received by UNIDO to finance such activities, in order to be able to provide the integrated packages of services to developing countries and countries with economies in transition required under the Business Plan. In 1997, 40 per cent of Governments' voluntary contributions had been allocated to support Investment Promotion Service offices, research centres and other institutions in donor countries, and in 1996 47 per cent. Over the past four years, out of $116.5 million in voluntary contributions to the Industrial Development Fund (IDF) and special trust funds, only $73.5 million, or 63 per cent, had supported technical cooperation projects in developing countries and countries with transition economies. A comparison with the figures for the period from 1990 to 1993 showed the trend to be to the disadvantage of the developing countries, total new approvals by donor Governments in those years having amounted to $118.5 million, of which $25 million, or 21 per cent, had been in support of donor country institutions. He therefore wished to call upon donor States to increase the amount of their voluntary contributions directed towards technical cooperation activities in order that UNIDO's integrated programmes for low-income countries in Africa and other parts of the developing world might have a significant impact. He was pleased to be able to present to the Board the first seven integrated packages of services for Members' feedback and constructive comments. Those packages amounted to almost $30 million, or almost half of UNIDO's total technical cooperation activities in 1997 or 1998.

16. The transformation of UNIDO had never been the goal in itself. The transformation process had been carried out as quickly as possible, and the mandate set out in the Business Plan was now almost fully implemented. The ultimate test would be whether, as a result of the transformation, the interests of developed and developing countries could be effectively linked and sustainable industrial development could be used to fight poverty and unemployment, while taking care of the environment at the same time. A transformed UNIDO should have a clear idea of what it could do best, of what it could not do, and of what it could not do alone, if it was to tackle the multifaceted problems of development and make a sustainable impact. With the service modules, the core competences of the Organization had been defined, thus providing it with the basis to establish a clear identity within the multilateral system. To further that process and achieve greater coherence and effectiveness within the United Nations system, concrete collaboration had been initiated with a number of agencies, including the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP), with which memoranda of understanding had been signed. UNIDO had also initiated important new cooperation measures with the World Trade Organization (WTO), the International Trade Centre (ITC), UNCTAD, UNDP, the World Bank and the International Monetary Fund (IMF) in the implementation of WTO's integrated framework of assistance to the least developed countries, aimed at improving their trade sectors and trade-related activities. Those collaborative arrangements were vital to achieving not only system-wide coherence but also sustainable development. UNIDO would, in that context, actively support integrated approaches at the field level, in particular in connection with the United Nations Development Assistance Framework (UNDAF), the United Nations Development Group Office, common premises such as "UN Houses", and the coordinating role of the new United Nations Resident Coordinator system.

With regard to the private sector, UNIDO had just concluded a cooperation agreement with FIAT.

17. He wished to express his gratitude to the staff of the Organization and to the diplomatic community, who had worked hard to ensure UNIDO's success. At important gatherings, including the last meeting of the Administrative Committee on Coordination in New York, UNIDO had been given recognition for its achievements. While mistakes had been made, he believed that, on balance, it could be concluded that UNIDO was on the right track. The documents to be distributed to the Board would give a good idea of what the transformation meant in practical terms. A description of all the measures taken in the first eleven months of his term of office was contained in the publication *The Transformation of UNIDO: a Progress Report*. The range and speed of the changes described in that booklet were due particularly to the combined efforts and commitment of a growing community of people--both inside and outside the Organization--seeking, needing and deserving something different from UNIDO. It was through those innovations that a new organizational culture was being built up. Another publication being distributed, entitled *UNIDO Projects with Impact*, highlighted a sample of the many projects undertaken by UNIDO in recent years that had had a definitive impact on the economic, social and environmental well-being of people.

18. *Presentations were made by Secretariat staff on inter-agency collaboration, pilot applications of the UNIDO service modules in Africa, the UNIDO partnership programme, and progress of the United Nations reform with respect to operational and programmatic issues.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.20/2):

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (IDB.20/3, IDB.20/5, IDB.20/6, IDB.20/10)

(b) FINANCIAL SITUATION OF UNIDO (IDB.20/8, IDB.20/11; IDB.20/CRP.3)

(c) PROGRAMME AND BUDGETS, 1998-1999 (IDB.20/7, IDB.20/18)

(d) FINANCIAL REGULATIONS (IDB.20/6)

(e) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (IDB.20/9)

(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.20/4)

19. **Mr. HONIG** (Hungary) said that his country supported the implementation of UNIDO's reform plan. As an emerging donor country, Hungary felt a special responsibility for the Organization. In well-defined areas with well-prepared projects, even relatively small inputs could result in great benefits. Utilization of the integrated programme package with the service modules could lead to a more effective delivery of services. The service modules should serve as simple and clearly defined tools for determining which country could best achieve good development results from what services.

20. As a mark of its confidence in the Organization, Hungary had raised its voluntary contribution to the Industrial Development Fund to $410,000. Guidelines for the country's donor policy for projects financed from the Hungarian special-purpose contribution to the IDF had also been prepared. Those guidelines included a regional approach, since several countries in the same region, suffering from similar problems such as environmental deterioration, could benefit from the same type of project.

21. Interrelation with other organizations of the United Nations system was important. UNIDO could play a significant role in the creation of productivity centres and in quality assurance. He would also propose that the topic of industrial and technological parks should be included in the programme package on industrial competitiveness.

22. His delegation suggested the elaboration of a service module related to public health, with special emphasis on supporting the essential drugs programme of the World Health Organization (WHO). In the less developed countries, there was insufficient know-how for the development of good manufacturing practices in pharmaceutical industries. A service module in that field would contribute to overcoming the development constraints identified by both UNIDO and WHO, ensuring significant improvements in the quality of essential drugs manufactured and distributed in developing countries. Hungary had the knowledge and experience to support such a service, and small-scale pharmaceutical enterprises in his country were willing to transfer know-how and technology.

23. The programme package would be helpful to his country in its domestic economic strategy, including efforts to promote environment-friendly aspects of industry and enhance the role of local industry in its relations with multinational companies. Hungary hoped for assistance in the field of international industrial partnerships and the development of small and medium-sized enterprises. It was particularly interested in local industrial development programmes, regional and cross-border projects, energy-related projects, environmental projects and quality assurance. The Hungarian National Technology and Information Centre and Library was ready to offer the participation of FEMOPET, the

Hungarian Energy Centre, in projects concerning household energy supply, traffic, transportation and fossil energy resources. The Hungarian research community and institutions concerned with technological development and investment promotion were particularly interested in industrial information networking, international industrial partnerships, industrial export capacity-building, cleaner industry partnerships and agro-related industry development.

24. **Mr. REGUIEG** (Algeria), speaking on behalf of the Group of 77 and China, noted that the present session of the Board coincided with the celebration of Africa Industrialization Day. He thanked the Director-General of UNIDO for making available a staffed office for the Vienna Chapter, which was already providing many benefits to Member States, ensuring coordination with countries of the Group of 77 and China and providing access to documentation. The office supported the study group of the Group of 77 and China, which examined subjects of special interest related to UNIDO matters. A Group of 77 Vienna Chapter Internet homepage would be introduced during the current month.

25. Turning to the agenda of the Board, he said that the Group was mindful that 57 Member States had lost their voting rights. Bearing in mind the recommendations of the intersessional open-ended discussion group on timely payment of assessed contributions, serious efforts had to be made by all Member States to pay their assessed contributions in full and on time. The catalytic role of the Secretariat was critical in promoting and implementing measures to facilitate payments through incentives, payment plans and the use of local currencies, as agreed by the Board in its decision IDB.19/Dec.5 (see document GC.8/2). The Group called on the Director-General to continue his efforts and contacts with Member States that had lost their voting rights to ensure the clearance of their arrears.

26. It was worth noting that the financial situation of UNIDO would be substantially improved by the settlement of arrears owed by the United States of America. The decline in the regular budget of UNIDO needed to be halted, and the Director-General should be provided with appropriate financial resources to implement the concepts contained in the Business Plan. The Group of 77 and China commended the contributions made by Member States to the Industrial Development Fund and called for continuation of that positive trend. They also supported the efforts of the Secretariat to convene a Consultation Meeting for Industrial Partnership and Investment in Africa.

27. In conformity with the Political Declaration adopted at the twentieth special session of the General Assembly of the United Nations on the world drug problem, and in the light of Board decision IDB.11/Dec.7, he called on the Director-General to continue to cooperate with the United Nations International Drug Control Programme (UNDCP), in the framework of the Business Plan, to help combat the world drug problem. He expressed warm appreciation for the implementation of the Business Plan in relation to field representation, despite the difficulties caused by financial and personnel constraints. The long-term sustainability of the Organization depended on proper implementation of the principle of equitable geographical distribution in its personnel policy, particularly at the Professional level. The issue of gender balance at all levels of the Secretariat, especially D-1 and D-2, also needed to be addressed in line with current reforms in the United Nations system.

28. The Group of 77 and China attributed special importance to performance indicators to allow Member States to evaluate services and programmes and assess the implementation of the reform process. The Group of 77 would cooperate in the implementation of the new service modules. UNIDO could make an important contribution to solving the serious economic and social problems facing the developing world.

29. **Mr. TRUJILLO GARCIA** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that GRULAC wished to pay tribute to the work undertaken by the Director-General, with the assistance of his staff, in connection with the restructuring and reform of the Organization, endeavours which merited Member States' support.

30. The current session provided an opportunity to draw attention to the suffering in the countries of Central America caused by hurricane Mitch. The devastating effects of a natural disaster of such magnitude represented a challenge to the international community and multilateral organizations, which should make a decisive contribution to overcoming the difficulties currently facing the countries of the region.

31. With regard to the report of the Programme and Budget Committee on the work of its fourteenth session (IDB.20/2), GRULAC wished to re-emphasize some observations made during that session—in particular, its support of the Director-General's efforts to increase contributions to the Industrial Development Fund and its concern that the needs of the Latin American and Caribbean countries be taken into account in the allocation of resources for strengthening activities involving industrialization processes. It again underlined its agreement to the maintenance of the UNIDO office in Geneva and to the strengthening of the Group of 77 Chapter in Vienna, on the understanding that the other Vienna-based organizations would support that initiative on a basis of rotation and equitable cost-sharing.

32. Concerning the medium-term programme framework, 2000-2003, GRULAC believed, in the light of PBC conclusion 98/7, that the current budget level should

be maintained. Given the financial difficulties currently experienced by the Latin American and Caribbean countries, GRULAC tended to favour zero real growth. However, bearing in mind the Organization's need for appropriate resources to implement the Business Plan, GRULAC urged Member States to ensure timely payment of their assessed contributions and called upon donor countries to continue their voluntary contributions.

33. The drug problem undoubtedly constituted one of the main challenges facing the international community, which needed to be tackled systematically. Since it was an issue related to development, GRULAC considered that the Organization could, within the framework of the Business Plan, contribute to the anti-drug efforts being pursued at the global level. Cooperation should be intensified between UNIDO and UNDCP, in accordance with their respective objectives and spheres of competence, with a view to identifying areas where coordinated and complementary activities might be undertaken to support countries, in line with their characteristics and priorities, in the attainment of both organizations' objectives. The special session of the United Nations General Assembly on the world drug problem had reaffirmed the need for concerted, system-wide action in that sphere. GRULAC was of the opinion that a decision should be adopted by the Board on such an important matter.

34. GRULAC appreciated the work undertaken by the Secretariat in the formulation of the new programme framework, as reflected in the technical cooperation service modules. The various possibilities offered by the service modules should be made known as soon as possible, and the best methods of practical application identified, jointly with recipient countries, on the basis of their needs. UNIDO should assist in encouraging the contribution of funds by donors for that purpose, on the basis of the requirements of the developing countries. To that end, ongoing dialogue should take place between the Secretariat, donor States and recipient countries, with the aim of defining specific programmes and projects to strengthen developing countries' industrial capacity. The Organization could also explore other sources of funding through coordinated efforts with international financial institutions. In the implementation of the service packages, advantage should be taken of advances made in information and communication technologies, with the aim of generating expertise in order to promote enterprise management, particularly in small- and medium-scale industry. Such expertise was becoming increasingly essential in achieving fruitful coordination between Governments, the private sector and other actors within civil society, with a view to fostering sustainable social and economic development.

35. With regard to field representation, GRULAC believed that activities aimed at strengthening the Organization's presence in the field should be pursued on the basis of an integrated approach, in line with the programme objectives outlined by UNIDO and with the priorities of Member States, and should meet the criteria of effective coordination and interaction between Headquarters and the field. Strengthened field representation should not be limited to the establishment of field offices. Given UNIDO's scarce financial resources and the new challenges posed by industrialization, a realistic perspective should be adopted taking account of existing limitations and achievable concrete results. Thought should therefore be given to adopting more flexible arrangements that would enable all developing countries to have access to the services of the Organization, in accordance with its new programme framework. The Secretariat should hold consultations with all Member States to ensure an ongoing dialogue aimed at developing suitable programmes. In that connection, he recalled the terms of reference set out in Board decision IDB.19/Dec.4. The collaboration agreement recently concluded between UNIDO and UNDP could serve as a basis for developing novel methods for improving UNIDO's field presence.

36. **Mr. DE JESUS FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that he would like to refer first to the Second Industrial Development Decade for Africa (IDDA II), and the Plan of Action of the Alliance for Africa's Industrialization. The Secretariat was rightly seeking to rationalize the use of IDDA resources to achieve the best impact possible in Africa, taking into account the new programmatic priorities. The Group applauded the successful package of projects recently formulated with some African countries, especially the least developed countries (LDCs), and looked forward to the extension of that process. The Group supported the efforts of the Secretariat to convene a donors' conference in order to encourage industrial and investment partnerships between Africa and the international community. The Group took the opportunity to express its gratitude to the donor countries that had come forward to assist in that effort. In the light of the approaching conclusion of the IDDA II programme in the year 2001, the Group requested the Secretariat to report to the twenty-first session of the Board on anticipated future arrangements for enhancing sustainable industrial development in Africa.

37. Regarding UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control, the African Group believed that an integrated industrial development approach could contribute to reducing illicit crops. UNIDO should contribute to the fight against drugs in line with the Political Declaration adopted at the United Nations General Assembly's recent Special Session.

38. On the issue of field representation, the Group believed that enhancement of UNIDO's field dimension needed greater support from Member States. It reiterated its appeal to donor countries to further extend their

support to the Organization in that respect, bearing in mind the significance attached to field representation and decentralization in the Business Plan.

39. The African Group attached great importance to performance indicators. It looked forward to seeing the gradual implementation of the system.

40. Lastly, he emphasized the importance of sustaining the political and financial support of Member States to UNIDO. The Secretariat had worked hard to reform the Organization, and Member States should respond accordingly.

41. **Ms. FREUDENSCHUSS-REICHL** (Austria), speaking on behalf of the European Union, Bulgaria, the Czech Republic, Cyprus, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia, welcomed the report of the Programme and Budget Committee. She understood that the financing of the staff separation scheme was being regularized, and noted that the programme and budgets for 1998/1999 had been adjusted to allow the necessary managerial flexibility. Although UNIDO's financial situation was improving, the timely payment of assessed contributions and the payment of arrears remained vital to UNIDO's success. She strongly appealed to all Member States, present and former, to pay their arrears and assessed contributions promptly, in full and without any conditions. Member States should also consider further extrabudgetary payments.

42. She emphasized the need for UNIDO's programmes to conform to the Business Plan. Sub-Saharan Africa was the key target region for UNIDO, and the European Union therefore appreciated the announcement of the Consultation Meeting on Industrial Partnership and Investment in Africa scheduled for 1999. The reports issued by the Joint Inspection Unit were relevant and informative, particularly those on strengthening representation in the United Nations system and on more coherence for enhanced oversight. The Director-General was requested to work in conjunction with other relevant organizations to implement the recommendations of the Joint Inspection Unit so as to strengthen coordination, and to report on progress in UNIDO's cooperation within the United Nations Development Assistance Framework and integration with "UN Houses" in the field.

43. The dedication of a new service module to women entrepreneurship was welcomed. However, gender issues needed to be integrated into all UNIDO's operational activities, in line with UNIDO's commitment to achieve the goals set under the Platform for Action adopted at the 1995 World Conference on Women. Under the new framework of the staff development system, she looked forward to the implementation of the new selection procedures for recruitment and promotion of the highly qualified staff UNIDO needed to discharge its mandate. She urged the Director-General to implement fully the measures previously decided by the policy-making organs to meet United Nations targets for representation of women. She looked forward to receiving reports on developments in gender mainstreaming and improvement in the balance in the Secretariat at the next session of the Board.

44. The European Union recalled the importance of decentralization in order to ensure the prompt, efficient and effective delivery of UNIDO's services. It welcomed the measures already taken by the Secretariat to transfer authority to the field, stressing the need for such measures to be fully compatible with the unified United Nations field representation concept. The introduction of field office budgets and the decentralization of procurement authority were important developments; the Secretariat should consider the allocation of limited funds for use on small projects to UNIDO field representatives. The cost-sharing concept for field representation should apply to existing field offices as well as to new ones. Host countries of field offices must show their commitment by meeting their financial obligations and giving full support to UNIDO programmes.

45. She commended the framework approach envisaged by UNIDO and looked forward to the early introduction of performance indicators, which were the key to quality management and evaluation of UNIDO's performance against objectives set by Member States.

46. The new UNIDO was a good example of reform in the United Nations system. She welcomed the development of enhanced cooperation between UNIDO and the private sector through business agreements, and looked forward to seeing the implementation of the projects developed under the new programmatic approach.

47. **Mr. UMER** (Pakistan), speaking on behalf of the Asian Group, said that the financial viability of UNIDO was of particular importance to the Asian Group, since without a strong financial foundation the Organization could not function properly. It was gratifying to note that UNIDO's regular budget cash resources of $17.7 million in June 1998 compared favourably with the situation twelve months previously, when the figure had stood at only $11.3 million, and that the 1998 estimated figure for the staff separation programme, i.e. $10.4 million, was considerably less than the sum of $13.9 million authorized by the General Conference at its seventh session. However, Member States' total outstanding assessed contributions as at 30 September 1998 were $104,914,104. While the Asian Group agreed that UNIDO's financial situation would be substantially improved upon settlement of the arrears of $60,250,511 owed by the United States of America, it was of the view that serious efforts had to be made by all Member States to pay their assessed contributions in full and on time.

48. With regard to the report of the Programme and Budget Committee on the work of its fourteenth session (IDB.20/2), and specifically to conclusion 98/4 adopted at that session, the Asian Group wished to reiterate its support for all the adjustments to the programme and budgets for 1998-1999, in particular regarding the funding of the Group of 77 office in Vienna. The Asian Group also welcomed the possible sharing of the financial burden of the office with other Vienna-based international organizations.

49. Concerning the medium-term programme framework, 2000-2003, and UNIDO's new integrated services, as referred to in document IDB.20/9, the Secretariat had given assurances that the service modules and their service elements would be flexibly combined to provide a comprehensive tailor-made response to the requirements of recipient States. UNIDO would need to interweave the concept of technical cooperation among developing countries (TCDC) across the service modules, and the Asian Group wished to encourage the Director-General to promote the application of the service modules through intensive interaction with Governments and, where appropriate, with other counterparts. With regard to the budgetary ceiling for the next biennium, the considerable decline in UNIDO's regular budget in recent years was a trend that had to be arrested, and the Director-General should be provided with appropriate financial resources to effectively implement the concepts that had been devised.

50. The question of voluntary contributions was intrinsically linked to the Organization's financial health. The Asian Group welcomed Member States' contributions to the IDF, a financial mechanism anchored in UNIDO's Constitution with the aim of enabling the Organization to fulfil its mandate. It was imperative that voluntary contributions should be regularly made to UNIDO by the developed countries and by States in stable economic and financial circumstances. A declining pattern in both regular and voluntary sources of funding was unacceptable.

51. With regard to the reports issued in connection with the programmatic review, including system-wide issues, the Asian Group fully supported the efforts being made by UNIDO for the industrial development of Africa (IDB.20/12), endorsed the Director-General's note on activities of the Joint Inspection Unit (IDB.20/15), and strongly supported the contribution of UNIDO to the System-Wide Action Plan on Drug Abuse Control (IDB.20/13). The Director-General's report on UNIDO activities in Asia and the Pacific (IDB.20/14) was an important document. The countries of the region were faced with manifold economic and social problems. Despite having adopted outward-looking strategies and liberal market-oriented policies with a view to integration in the global economy, they were suffering economic setbacks as a result of the continuing turmoil in the financial and currency markets. The weaker countries of the region, particularly the least developed ones, continued to suffer from major constraints in the attainment of their economic aspirations. UNIDO should be encouraged to focus more sharply on the Asia-Pacific region.

52. The importance of field representation in the effective implementation of UNIDO's programmes was undeniable. The Director-General's progress report now before the Board (IDB.20/16) indicated that, as at 31 August 1998, UNIDO maintained 28 field offices, including 22 headed by an internationally recruited UNIDO Representative (UR), and was represented by UNIDO National Directors (UNDs) in three countries. Steps had been initiated to identify cost-sharing arrangements with host countries for the establishment of country offices, UNIDO having entered into negotiations with the Islamic Republic of Iran, Kazakhstan, Morocco and Turkey. It would be necessary for the process of selecting countries for the five subregional offices to be carried out in close coordination with Member States. UNIDO could better deliver its services to recipient countries through an effective field presence, and the Asian Group welcomed the efforts of the Director-General to strengthen the Organization's field representation.

53. The Asian Group wished to emphasize that the principle of equitable geographical distribution regarding employment in the Secretariat, as laid down in the Constitution, should be observed. In order to enhance its capability, UNIDO should pursue appropriate policies in order that it might benefit fully from Member States' human resource potential.

54. The technological advances of the twentieth century had given a tremendous impetus to global industrialization, and the development of informatics had facilitated the spread of technology, which formed the basis of industrial growth. At the same time, a large segment of the developing world was heavily dependent on the industrialized countries for modern technology, equipment and industrial products. That represented a heavy drain on the meagre and overstretched resources of the developing countries. UNIDO's role in assisting those States in their quest for modernization needed to be enhanced.

55. **Mr. EL-FEKI** (Egypt) said that, in his delegation's view, the Secretariat had adopted a sound procedure for the use of resources for the programme for the Second Industrial Development Decade for Africa, and hoped that it would continue to follow that approach in order to achieve the greatest possible benefit for the largest number of African countries. Egypt supported the organization of a conference on industrial partnership and investment in Africa by UNIDO as part of its efforts to mobilize the necessary funds for the implementation of its technical cooperation programmes and projects.

56. With regard to field representation, Egypt attached great importance to UNIDO's field activities and, mindful of the pivotal role played by the Organization in promoting sustainable industrial development, was keen to host a UNIDO country office. Egypt was also willing to host the UNIDO subregional office for the Arab region, the establishment of which would be greatly facilitated by the existence of a country office in Cairo.

57. The formulation of an efficient system of performance indicators represented an important element in connection with the reform process that was now nearing completion. Such indicators, together with the mechanisms elaborated within the context of the Director-General's recent administrative instructions, constituted a positive addition to the climate of mutual trust between UNIDO and its Member States through the framework of rules and regulations that would allow monitoring and evaluation of the activities of the Organization by Member States.

58. **Mr. IKEDA** (Japan) said that the success of UNIDO's programmatic transformation was essential to the future of the Organization. He welcomed the finalization of the UNIDO service modules as a key element of the new programmatic method, expecting that they would become a useful tool in making the entire project cycle more transparent and effective. He also welcomed the progress in developing performance indicators. They would be extremely useful for decision-making in the management of the project cycles, as well as for increasing public understanding for UNIDO's work. The "collective dialogue" on programmatic issues called for in Board decision IDB.19/Dec.2 should be initiated as soon as possible. An intersessional working group for the purpose might be considered.

59. UNIDO's work should be fully integrated with the activities of other technical cooperation partners within and outside the United Nations system, in order to achieve synergy in development efforts. He therefore welcomed UNIDO's recent arrangement for cooperation with UNDP and its active participation in the United Nations Administrative Committee on Coordination and UNDAF. He looked forward with interest to studying the new agreement with UNEP. He hoped that the discussions initiated between UNIDO and the Japan International Cooperation Agency at field level in Viet Nam, the Philippines and Sri Lanka would lead to the development of concrete bilateral or multilateral projects.

60. His Government attached great importance to the development of Africa, as evidenced by the Second Tokyo International Conference on African Development, held on 19-21 October 1998. He was particularly pleased by the announcement of concrete integrated programmes of services for several African countries. He further welcomed the announced establishment of the Asia-Africa Investment Information Centre.

61. In the context of the programmatic review, he wished to mention the economic crisis affecting the Asia-Pacific region. His Government, while trying to revitalize its own economy, was implementing an assistance package for the Asian economy with a value of $44 billion. A fund aid scheme involving an additional $30 billion was also to be set up in the hope of accelerating the recovery process. He hoped that UNIDO would continue to assist LDCs in Asia affected by the economic crisis.

62. Lastly, commenting on the next biennium's programme and budget, he said that many international organizations were now aiming at zero nominal growth in their regular budgets. UNIDO had undergone a 20 per cent budget cut in the previous year, and the results of the reform were highly appreciated, but the Organization should continue to seek possible savings, for instance in areas mentioned in the report of the External Auditors. His Government was, for the time being, unable to commit itself to zero real growth, or any other specific level of the budget, for the next biennium.

The meeting rose at 12.45 p.m.

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United Nations Industrial Development Organization ORIGINAL: ENGLISH

Industrial Development Board

Twentieth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 19 November 1998, at 3 p.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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Distr.: 16 December 1998

The meeting was called to order at 3.10 p.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau had decided to recommend to the Board that it follow the practice established at previous sessions, namely, to hold informal in-session consultations to facilitate the drafting of decisions and subsequent consensus in the plenary. All members of the Board were urged to participate in the consultations. Any texts of draft decisions should be submitted to him as soon as possible, before being submitted to the informal consultations. The deadline set for their submission was 6 p.m. that day.

2. The Bureau had also recommended that Mr. S. Nur, Vice-President, should chair the consultation meetings.

3. In view of the time constraints, the Bureau had agreed that draft decisions could be discussed in the informal consultations before the consideration of the related items had been taken up or concluded in the plenary.

4. If he heard no objection, he would take it that the Board agreed to those procedures.

5. *It was so decided.*

6. **The PRESIDENT** said that South Africa had requested to attend the present session as an observer and had been granted such status under rule 75.2 of the rules of procedure.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE *(continued)* (IDB.20/2):

(a) **REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997** *(continued)* (IDB.20/3, IDB.20/5, IDB.20/6, IDB.20/10)

(b) **FINANCIAL SITUATION OF UNIDO** *(continued)* (IDB.20/8, IDB.20/11; IDB.20/CRP.3)

(c) **PROGRAMME AND BUDGETS, 1998-1999** *(continued)* (IDB.20/7, IDB.20/18)

(d) **FINANCIAL REGULATIONS** *(continued)* (IDB.20/6)

(e) **MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003** *(continued)* (IDB.20/9)

(f) **INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS** *(continued)* (IDB.20/4)

7. **The PRESIDENT** said that a note had been received from the Chairman of the Programme and Budget Committee stating that, owing to scheduling conflicts and the availability of facilities, the Committee would hold its fifteenth session in the week of 12 to 16 April 1999 instead of the week of 19 to 23 April 1999, as originally foreseen. That would be the subject of a decision to be taken by the Board at its present session.

8. **Mr. BREITER** (Switzerland) said that his country was satisfied with UNIDO's administrative and programmatic transformation, which had been undertaken with efficiency and determination by a dynamic management. Switzerland's support for the reform process was evidenced by its allocation of $10 million to the Industrial Development Fund (IDF) for specific projects over three years. However, the proof of UNIDO's success in its ongoing reform efforts would be the efficient implementation of its programme of activities and the development of its projects, areas where the Organization might need further time for adjustment and improvement.

9. The new service modules, interlinking the different services reflecting UNIDO's comparative advantage, were a welcome sign of its transformation from a donor-driven to a service-oriented organization. Switzerland would be examining the new integrated services from the point of view of their quality and suitability for its own portfolio. In that regard, scarcity of resources obliged donor States to direct their cooperation pragmatically towards institutions that were the most efficient and effective in terms of project implementation.

10. Switzerland urged UNIDO to complete without further delay the commendably coherent action already taken to reorganize its field representation and wished to insist on the importance of applying the mix of quantitative and qualitative criteria established for the creation of country offices.

11. His country also welcomed the results achieved in the development of performance indicators, which provided a means for Member States to monitor the Organization's macro-management and to measure improvements in performance at the division, branch and individual levels. Ideally, however, such indicators should form part of a broader quantitative and qualitative evaluation process, and Switzerland looked forward to seeing a progress report at the next session of the Board on how those different functions were being integrated in order to generate synergies.

12. **Mr. LAASSEL** (Morocco) said that his delegation was concerned at the considerable arrears accumulated by many Member States, especially in view of the fact that 58 countries were consequently still deprived of their

voting rights. In that regard, the solutions proposed by the intersessional open-ended discussion group on timely payment of assessed contributions, in its report contained in document IDB.19/12, should be implemented, including the incentive schemes for early payment, the possibility of payment in local currency to local UNDP offices, procedural and preventive measures to be applied to countries whose arrears were not great enough to lead to loss of voting rights and, in the case of the United States of America, measures to achieve the ambitious goal of recovering that country's arrears. Morocco welcomed the recent decision of the United States Government to extend the immunities and privileges accorded to UNIDO for approximately two years after its withdrawal from the Organization.

13. Morocco was also concerned about the decline in technical cooperation funding. The contribution base should be expanded by means of mechanisms for cost sharing by recipient countries, the private sector and civil society, a system which had already proved its worth, as had been demonstrated by a recent World Bank study of water-supply projects, and offered the best solution in the light of UNIDO's current situation, making for improved project identification and evaluation and more favourable conditions for project implementation. Moreover, the cost-sharing ratio provided a good indication of which projects were sufficiently sound to justify UNIDO's involvement and build confidence among donors.

14. While substantial progress had been achieved in implementing the Business Plan on the Future Role and Functions of UNIDO, partly through the creation of integrated service modules, such reform had focused on aspects of management rather than technical cooperation. The Second Industrial Development Decade for Africa (IDDA) might well repeat the failure of the First Decade if sufficient funding were not forthcoming for its implementation. Africa's continuing marginalization in terms of its manufacturing industry and the prospective decline in its growth rate for 1998 demonstrated the urgent need for genuine solutions to its present lethargy. The African countries were now showing a new determination to seek their own solutions in cooperation with the international organizations and were introducing economic reforms aimed at boosting growth and investment. Official development assistance, which had shrunk because of the alleged budgetary constraints of donor countries and the mistaken idea that such assistance was rendered superfluous by private capital flows, should be restructured and directed towards priority areas such as water, education and health. Servicing Africa's foreign debt was also a major obstacle to growth, calling for even more strenuous efforts on the part of the multilateral system, and especially UNIDO, to promote the continent's rapid industrialization in line with its particular needs. In that regard, gratitude was due to the Director-General for his endeavours to improve UNIDO's relations with other international organizations, resulting most recently in the collaboration agreement with the United Nations Development Programme (UNDP).

15. With regard to the contribution by UNIDO to the System-Wide Action Plan for Drug Abuse Control, his delegation noted from document IDB.12/13 that no specific drug-related initiatives were foreseen for the Organization. Nonetheless, Morocco believed that the establishment of small agro-industrial units with UNIDO's assistance to create alternative employment for population groups currently subsisting on cannabis cultivation would assist the country in its own alternative development efforts.

16. Concerning field representation, Morocco was keen to complete the current negotiations with UNIDO in order to ensure that its country office, which would be pioneering the cost-sharing approach, might become operational as soon as possible. Greater decentralization of UNIDO could only benefit the Organization by putting it more closely in touch with Member States' needs.

17. Finally, with regard to performance indicators, his delegation considered that the introduction of the cost-sharing ratio established according to national levels of development would encourage UNIDO's clients to target proposed projects more precisely, to avoid the constraints of annual budgeting and to take advantage of customs and other exemptions. At the same time, that indicator would enable national authorities to better monitor project implementation in collaboration with the Organization.

18. **Mr. JEDDA** (Tunisia) said that the celebration of the ninth Africa Industrialization Day was a sign of efforts by the African countries and the international community to bring about a process of dynamic development in Africa. The Second IDDA programme, strengthened by the mechanism of the Alliance for Africa's Industrialization, should be maintained through financial support from donor countries with a view to the implementation of a genuine industrial development strategy ensuring sustainable growth in the African continent. Such a programme, updated and provided with adequate financial resources, could help the African countries meet the challenges of globalization, through the development of their industrial fabric. His delegation supported the holding of a donors' conference to be organized by UNIDO jointly with other organizations of the United Nations system for the purpose of mobilizing funds necessary for Africa's industrialization.

19. Tunisia welcomed the technical cooperation service modules elaborated by UNIDO to better meet country requirements and improve the focus of the Organization's services to beneficiary States, and commended in particular the introduction of a programme for women entrepreneurship development. His Government also welcomed the implementation of a specific programme

between India and FIAT, and hoped that similar actions would involve other countries in the future.

20. On the question of field representation, his delegation believed that in order to achieve a better balance between staff and resources allocated to Headquarters and the field, their redeployment should include appropriate delegation of authority. The cost of that decentralization could be amortized by contributions in kind and in cash from beneficiaries, as had been the case in Tunisia during the last two years. He reiterated his delegation's support for the Secretariat's continuing consultations with Member States on strengthening field representation and mobilizing the necessary funds.

21. **Mr. SOKOLOV** (Russian Federation) said that UNIDO's transformation in terms of image, organizational structure, decentralization and personnel policy was now essentially complete and it was currently intensifying cooperation with the private sector and spearheading inter-agency coordination efforts. It was vital not to lose any momentum in moving from the reform process, achieved largely thanks to its Director-General and within the constraints of a substantially reduced budget, to practical action geared to the specific needs and characteristics of Member States, including countries with economies in transition. To that end, an effective mechanism was needed for practical implementation of the new programme elements, together with a staff of highly qualified professionals. His delegation felt that the new personnel policy pursued by the Organization's management would indeed produce such a staff.

22. The success of the transition from reform to action also depended on the financial support of Member States. It was to be hoped that other countries would follow Russia's lead in doing their utmost to settle any arrears despite domestic financial difficulties. It was during the present time of economic crisis that Russia was particularly keen to benefit from UNIDO assistance, especially in the areas of quality standards and metrology, cleaner production processes and power generation, promotion of small and medium-sized enterprises (SMEs), investment promotion and industrial restructuring. In that connection, the recent talks in Russia with the Director-General had demonstrated UNIDO's readiness to provide Russia with practical assistance based on its new sets of service modules and had resulted in a series of cooperation agreements. His country supported the Organization's programme for the industrial development of Russian regions, which it felt would improve the national economic situation. It was important that the federal Government should play an effective coordinating role in such cooperation initiatives. Speedy finalization of the comprehensive cooperation programme between UNIDO and Russia, containing mutually complementary federal and regional components, was also essential.

23. His delegation was generally in favour of the policy of decentralization and the delegation of greater resources and authority to field offices, which could contribute greatly to improving the effectiveness of technical cooperation, in particular by reducing the time taken to respond to clients' requests. Russia also supported an increase in UNIDO's contribution to system-wide efforts in the area of drug demand and supply reduction, most specifically through alternative development activities.

24. With regard to performance indicators, his delegation felt the new set of indicators should extend beyond the Organization's administrative activities to its substantive programmes, including the service modules. Evaluation of programmatic work should be directed towards improving the efficiency and effectiveness of projects. On the administrative side, the new indicators should help achieve an optimum staffing structure and improved performance by each individual staff member, both at Headquarters and in the field. The indicators should be few in number and transparent, and should be introduced gradually and adjusted as the situation evolved.

25. Fresh opportunities were now opening up for the newly reformed UNIDO, with its enhanced influence and authority as a central component of the United Nations system in the sphere of industrial development. One such opportunity was to play a unique role in coordinating the intersectoral activities of the plethora of specialized international agencies engaged in the pursuit of socio-economic development through cooperation in various areas of science, industry and technology. By virtue of its expertise in the harmonization of legislation in the field of industry and advanced technologies and its experience gained through cooperation with the International Organization for Standardization (ISO), the Organisation for Economic Cooperation and Development (OECD) and the International Centre for Genetic Engineering and Biotechnology, UNIDO could also make a valuable contribution to the process of globalization. A third challenge was to act as broker in the expansion of international cooperation and transfer of technology, in particular from Russia to interested developing countries. The degree to which those opportunities were successfully grasped would largely depend on how efficiently and effectively they were handled by all those working together on UNIDO's behalf.

26. **Mr. REGUIEG** (Algeria) said that his delegation appreciated the substantial progress achieved in implementing the Business Plan and was confident of the ability of the Director-General and his team to successfully complete the reform process. The Action Plan of the Alliance for Africa's Industrialization remained an effective instrument for achieving the objectives of the Second IDDA and the approach outlined in document IDB.20/12

duly reflected the high priority assigned by UNIDO to Africa. It was to be hoped that the forthcoming Consultation Meeting on Industrial Partnership and Investment in Africa would provide an opportunity for mobilizing the necessary funds to implement the IDDA programme.

27. His delegation supported the field representation approach set out in document IDB.20/16 and commended the progress made in the implementation of the field representation programme notwithstanding the Organization's limited financial and human resources. Consultations aimed at finalizing arrangements as quickly as possible would be welcome.

28. Algeria remained convinced of the usefulness of performance indicators to Member States, which would thus be assisted in monitoring the implementation of the reform process, in particular through the programme and budgets. It was to be hoped that the new indicators would be applied in a transparent fashion to all the Organization's activities, in particular the new service management cycle and sets of service modules.

29. His delegation noted the encouraging trend among certain States regarding payment of their outstanding assessed contributions. Algeria had settled its arrears for 1996 and 1997 and would pay its 1998 contribution by the end of the year.

30. **Mr. LANGELAND** (Norway) said that Norway welcomed the finalization of the major administrative and programmatic reforms in UNIDO. Important elements of the Business Plan had been implemented, despite the Organization's difficult financial situation. He looked forward to receiving further information on how the new service modules were put into practice and how they worked. Reform was not an end in itself, and the results of reform could only be measured in the field. Speedy elaboration and implementation of performance indicators were therefore necessary.

31. His Government was in the process of finalizing a strategy to promote the private business sector in the south, and looked forward to cooperating with interested parties, including agencies within the United Nations system, in the implementation of that strategy.

32. The integration of UNIDO's services into activities of other technical cooperation partners through the service modules and their integration into the United Nations Development Assistance Framework (UNDAF) were positive developments. Coordination and accountability were crucial in the reform of the United Nations. While the memorandum of understanding between the United Nations Conference on Trade and Development and UNIDO and the strengthened cooperation with UNDP were valuable contributions, further details concerning the specific follow-up to those initiatives in the field and at Headquarters would be welcome. His delegation appreciated the information on cooperation arrangements with private partners and other multilateral agencies on private sector development. UNIDO's cooperation with the United Nations Environment Programme (UNEP) should be viewed from the perspective of the latter's leading role in coordinating the efforts of the United Nations system towards achieving sustainable development.

33. Field offices ensured that the needs identified by recipient countries were better matched to the technical cooperation activities provided by UNIDO. It was important for the Secretariat to accelerate its efforts to decentralize responsibility and delegate authority to the field. The Norwegian delegation would appreciate details of further concrete measures as UNIDO took steps to act on the basis of the report by the Joint Inspection Unit (JIU) on strengthening field representation of the United Nations system (JIU/REP/97/1). Field offices should see themselves as members of the overall United Nations presence, and not simply as staff of UNIDO.

34. Norway appreciated the geographical focus on sub-Saharan Africa in UNIDO's activities, which was in line with the Business Plan. When new country offices were set up, priority should be given to least developed countries. It would like to know how UNIDO's activities in Africa related to other United Nations programmes, such as the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF).

35. UNIDO had a clear mandate from the General Conference to contribute to system-wide efforts towards capacity-building in gender mainstreaming and equal opportunities in the Secretariat. A gender perspective must be integrated into all UNIDO's operational activities and not be restricted to one service module. It was necessary to implement in full the measures set out in Director-General's bulletin UNIDO/DG/B.188 with a view to increasing the proportion of women in the Secretariat, in order to achieve the targets previously set.

36. Norway supported the continuing efforts to collect outstanding arrears of contributions. At the same time, it regretted that valuable resources had to be devoted to that task. All Member States, past and present, should therefore settle their arrears, and pay their assessed contributions in full, on time and without conditions.

37. Finally, he commended the Director-General and his staff for the progress made during the past year with regard to the administrative and programmatic reforms.

38. **Mr. WANG Baorong** (China) said that 1998 had been a year of progress in UNIDO's reform process. In accordance with the Business Plan and the budget cuts agreed upon by the Board at its eighteenth session, the new Director-General had successfully carried out staff reductions and restructuring and had made great strides to

implement operational reforms and strengthen internal management. The expansion of UNIDO's services to 16 service modules reflected the Organization's efforts to provide a better framework for delivering improved technical cooperation services to the developing countries. However, reform was not the final goal but a means to enable UNIDO to provide more effective services for sustainable industrial development. Ultimately, the main yardstick for evaluating UNIDO's performance was its impact on the industrial development of the developing countries. At the last session of the Programme and Budget Committee, his delegation had expressed concern at the marked decrease in the implementation of technical assistance projects for the year. It was pleased to note that the Director-General had taken measures to address that issue in order to improve the implementation rate, and hoped that UNIDO would concentrate its energies on the real needs of the developing countries, intensifying efforts aimed at resource mobilization and providing better services for economic development, especially in the least developed countries (LDCs) in Africa.

39. The support of Member States, particularly the Western developed countries, was essential to UNIDO's success in assisting the developing countries in their industrial development. The rapid globalization of the economy had made countries more interdependent. The economic and financial crisis that had originated in mid-1997 in South-East Asia had affected all parts of the world. The continuing decline in prices of oil and primary products was leading to even greater inequities in world income, and many LDCs were becoming further marginalized from the mainstream of the world economy, their share of world trade dropping sharply. The international community had a duty to help them share the benefits of globalization in an equitable manner. His delegation appealed to the developed countries to take a long-term view and make more voluntary contributions to UNIDO in order to allow it to play a greater role in helping the economic development of developing countries, especially the least developed ones.

40. His Government attached great importance to cooperation with UNIDO. In recent years, cooperation with China had been most prominent in projects under the Multilateral Fund of the Montreal Protocol. Since 1994, more than 20 technical assistance projects, with a value of some $40 million, had been approved in several industrial sectors. Technical cooperation provided by UNIDO had led to improved management of Chinese enterprises, opening up good prospects for their modernization and integration into the world market. Investment promotion activities organized by UNIDO in China in 1998 had produced very positive results, and his Government would continue to explore further possibilities for cooperation with UNIDO in other areas.

41. Despite the efforts made by UNIDO to strengthen field representation, the effects were not very obvious. His delegation hoped that the Organization would take practical measures to achieve decentralization, simplify procedures and improve efficiency. The strengthening of field representation should to the extent possible avoid any increased economic burden on host Governments.

42. With regard to the retention and separation of staff, the most important factors for consideration were the skills required for UNIDO to provide services to the developing countries and the balance of country representation. Other things being equal, priority should be given to staff members whose country was underrepresented. With regard to Administrative Instruction 10, setting out basic standards for staff recruitment, promotion and training, his delegation believed that there should be clearer definitions and detailed rules of implementation, in order to avoid possible misuse of authority. On the question of staff recruitment and promotion, China supported the policy of increased transparency, fair competition, and simplified procedures. At the same time, the principle of equitable geographical distribution and the need to increase the ratio of female staff should be fully borne in mind.

43. **Mr. BOERSNER** (Observer for Venezuela) said that his country wished to stress the importance of the new programmatic bases of UNIDO and the need to assign high priority to the dissemination of information on development strategies. The current session provided the first opportunity to review the programme framework prepared by the Director-General and the Secretariat. The new service modules presented options that required careful analysis by the competent national authorities to determine how they responded to genuine industrial development needs.

44. Innovative methods and development strategies based on a constant flow of information undoubtedly had to be introduced to enable developing countries to meet the challenges inherent in globalization and advances in technology and communications. The economic imbalance between the industrialized and the developing countries was aggravated because of difficulties in the flow of information concerning the development of technology and markets. Appropriate communication was lacking not only between the industrialized and the developing countries but also among developing countries themselves.

45. Information and communication were therefore fundamental tasks of UNIDO, which should serve as a liaison point between donors, developing countries and countries with economies in transition. In particular, the Secretariat should design an appropriate methodology for explaining to all sectors in the recipient countries the scope and possible benefits of the new service modules.

46. In the context of disseminating information on industrial development against the background of a

market economy undergoing a globalization process, the creative activity of the private sector had to be combined with guidance and stimulation from the public sector and international organizations. To help achieve that aim, he proposed that a large-scale symposium on the fundamental problems of sustainable industrial development and the best way to make use of the integrated services offered by the Organization should be organized in the framework of UNIDO between representatives of the private and public sectors and international organizations.

47. The strengthening of field representation should not be conceived of as the mere establishment or transfer of offices but as a creative and imaginative effort undertaken in consultation with Member States to establish direct contacts and cooperation between UNIDO and entrepreneurs and other clients.

48. **Ms. KHAN** (Observer for the United Republic of Tanzania) said that many African countries, having emerged from the economic crises of the 1980s and early 1990s, still faced serious constraints and did not have the capacity to address global relationship management or to meet the challenges of globalization.

49. Her Government had taken major initiatives to change from an economy predominantly driven by the public sector to one led by the private sector, in which the latter was expected to play a dynamic role in the industrialization process. Accordingly, a national consultative council had been established as a mechanism for continuous dialogue between the Government and the private sector, with the aim of improving policy instruments and creating an enabling environment for the development of indigenous enterprises and the attraction of foreign direct investment and technology. Her country was grateful for the support of multilateral organizations such as UNIDO and of donor countries in its efforts to establish a sustainable economic base.

50. During a recent visit to Tanzania, the Director-General had informed her Government of the action being taken to restructure UNIDO, while the Tanzanian Government had explained its development vision, its ongoing programmes and the areas in which external assistance would be required. A multidisciplinary mission from UNIDO had since visited her country to determine the nature and scope of UNIDO's technical assistance programme and had formulated an integrated programme for enhancing industrial competitiveness and sustainability. That programme, designed in the context of the service modules, covered the needs of both the Government and the private sector and had been worked out with the cooperation of industrial support institutions and non-governmental organizations (NGOs), focusing on entrepreneurship development and particularly on women in development.

51. Since the implementation of the programme involved some elements of economic and technical cooperation among developing countries (ECDC/TCDC), her country would be able to benefit from the experience of countries in Asia, Latin America and Eastern Europe. The programme was scheduled for execution within a period of three years, but, in view of its comprehensive nature, her Government trusted that some degree of flexibility would be possible in that respect. It appealed to donor countries to help mobilize funds for the implementation of the programme.

52. Finally, she thanked the Director-General for his commitment to the industrial development of the African countries.

53. **Mr. RYDZKOWSKI** (Poland) said that his delegation believed that the reform of UNIDO, which had been going on for more than ten years, was on the right track but wished to stress that it was also necessary to ensure a certain level of stability, particularly in the execution of programmes and in personnel policy. The success of the Director-General's reform efforts would depend to a great extent on the goodwill and cooperation of Member States.

54. UNIDO's financial situation had been a matter of permanent concern to the Board and to his Government, which had always paid its assessed contributions in full and on time and had also made voluntary contributions. He was glad to note an improvement in the Organization's financial situation and shared the view that the timely payment of assessed contributions and the settlement of arrears were vital to UNIDO's continued success.

55. His delegation believed that the informative report of the External Auditor (IDB.20/3) would be extremely useful in bringing about further improvements in the administration of the Organization.

56. With regard to the industrial development of Africa, which was a prime regional target of UNIDO's present and future activities, Poland endorsed the initiatives to be taken by the Director-General.

57. In the context of field representation, the Secretariat might consider further strengthening of the Investment Promotion Service Offices (IPSOs) and their closer adjustment to the new objectives and programmes of the Organization. More importance should be attached to human resources development. Having operated an IPSO for 16 years, Poland would support a flexible improvement of the IPSOs in order to meet the changing needs of the host countries. He therefore wished to encourage the Secretariat to adapt the relevant regulations in order to provide more flexibility, under the overall supervision of UNIDO Headquarters and host Governments.

58. His delegation welcomed the initiatives for the establishment of a coherent and transparent system of performance indicators for measuring the work of UNIDO and the achievement of the reform objectives. That would avoid the effects of the moving target syndrome and an unnecessary extension of the reform process.

59. In relation with the substantive reform of UNIDO, he welcomed the concept of the integrated service modules as an integral part of the medium-term programme framework (MTPF), 2000-2003. Many changes had already been introduced, but it was difficult to say how close the present revised MTPF was to completion.

60. The programmes enumerated in the service modules would concern practically all Member States. As the representative of a country which had successfully transformed its economy, he offered its participation in various proposed programmes, in cooperation with UNIDO.

61. His delegation was ready to discuss any realistic concepts for the future of UNIDO and its adaptation to the new world economic situation and political order.

62. **Mr. PRASAD** (India) said that his delegation fully supported the measures taken for the programmatic and administrative transformation of UNIDO, which had emerged as a dynamic institution capable of addressing the challenges of a fast-changing global economy.

63. He commended the action taken by the Director-General to strengthen field structures. A balance had to be struck between substantive expertise in the field and core competencies at Headquarters, and the quantity of services rendered through the field offices should be commensurate with costs. A scheme for the rotation of staff would provide valuable field experience. His Government would support the UNIDO Representative in India in the effective establishment of focal points in Sri Lanka and Bangladesh.

64. His delegation was happy to note that greater decentralization was envisaged in decision-making and the empowerment of field offices. Since it would be difficult for the field offices to maximize their output without adequate budgetary support, he suggested that Member States should consider enhancing their contributions towards the local costs of the offices. India was already meeting some 60 per cent of the local costs of the field office in its country.

65. UNIDO must use a mix of in-house experts and outside consultants to meet the needs of developing countries in a cost-effective manner. Since the requirements of developing countries varied greatly, UNIDO should identify and concentrate on the areas in which it had a comparative advantage. The initiative for the promotion of Indian technologies and investment in selected African countries bordering the Indian Ocean was a pertinent example.

66. He endorsed the view of the relevance of human resource development to institutional capacity-building and industrial entrepreneurship development. With the support of UNIDO, his Government had set up a regional centre for strengthening industrial management capabilities at the enterprise level in order to cater for the needs of developing countries.

67. Greater attention should be devoted to environmental concerns in the context of sustainable industrial development, and the Organization should accord high priority to technical cooperation with a view to the abatement of pollution and the promotion of cleaner production technologies.

68. Since investment promotion was of great significance to the developing countries and to countries with economies in transition, India had arranged a series of Intechmarts involving Indian and foreign entrepreneurs to promote two-way flows of financial and technical cooperation and was strengthening its technology bureaux for small enterprises.

69. His delegation supported South-South cooperation and the programmes for the Second IDDA and the industrialization of the LDCs. The formulation of an agro-related industrial development programme for the African countries would build up competitiveness based on potential comparative advantage.

70. In the development of the private sector, special emphasis should be placed on SMEs through cluster development and the establishment of subcontracting exchanges.

71. His Government supported the cooperation agreements between UNIDO and major institutions and companies, which would enable the domestic industry in the developing countries to interact with multinational corporations in the context of globalization. He was happy to note that a programme of support for the development of sector-specific industrial processing zone facilities in some states of India was under active consideration by UNIDO.

72. His country had regularly paid its assessed contributions and intended to raise its voluntary contribution from $1 million to $1.2 million. He urged donor countries to increase their voluntary contributions.

73. **Mr. WURIE** (Sierra Leone) commended the Director-General for his dynamic leadership in refocusing UNIDO's functions in the form of technical cooperation service modules, which would be reflected in concrete

programmes at the country level. His delegation wished to stress the importance of ensuring strong client ownership of programmes.

74. After the difficult period in 1997 when the future of UNIDO was being debated and in view of the results delivered by the Organization, it was time to think seriously of investment in its programmes, investment to reinvigorate its technical capacity, and investment in its service delivery structures in the field and the regional offices.

75. The Board should shift its discussions more towards programmatic and substantive issues and focus on how Member States could support UNIDO's programmes through funds mobilization and proactive measures to enhance the capacity and quality of delivery.

76. He had recently visited Latin America as a part of a United Nations World Food Programme (WFP) delegation, which included both permanent representatives of WFP and technical staff. Representatives of Member States had thereby been given the opportunity to appreciate the real issues faced in addressing the food security problems of some developing countries. UNIDO could consider such a strategy as well.

77. As shareholders of an organization dealing with industrial deve'opment, Member States must begin to consider their vision for UNIDO in the coming millennium. UNIDO had led the way in United Nations reform and should therefore be rewarded for its reform efforts, as an example for other organizations to follow.

78. **Mr. BAN** (Republic of Korea) said that he wished to reaffirm his delegation's support of the adjustments to the 1998-1999 programme and budgets made by the Director-General and, in particular, of the measures to be taken concerning the Vienna Chapter of the Group of 77. The Director-General should seek an agreement with the executive heads of other organizations in Vienna on sharing the relevant financial burden.

79. He was encouraged that the current level of UNIDO's regular budget resources had been relatively improved but was concerned at the amount of unpaid contributions. His country would pay a small outstanding amount in full within the current month. In view of the current financial situation of the Organization, he supported the Director-General's proposal for zero real growth in the next budget.

80. He commended UNIDO's efforts to contribute to the System-Wide Action Plan on Drug Abuse Control and hoped that the Organization would continue to give due consideration to the Action Plan at the field level, in full collaboration with other agencies of the United Nations system.

81. With regard to the activities of the Joint Inspection Unit, as described in document IDB.20/15, his delegation supported the proposed study on the delegation of authority and accountability, which it expected would facilitate understanding of those matters.

82. He reiterated his country's support for UNIDO's contribution to the development of the African nations. Since establishing the Development Cooperation Trust Fund with the Economic Commission for Africa (ECA) in 1995, the Republic of Korea had made efforts to support LDCs in the region. It would support the development efforts of Ethiopia, in consultation with UNIDO, by allocating $200,000 from its special-purpose IDF contribution.

83. In cooperation with the Office of the Special Coordinator for Africa and the Least Developed Countries, his Government was planning to hold a forum on Asia-Africa cooperation in export promotion, in December 1998, which he hoped would provide an opportunity to review the practical efforts made by African nations in export promotion by sharing experiences with the Asian countries.

84. His delegation hoped that, based on the newly introduced service modules, UNIDO's service delivery in the Asian and Pacific region would make efficient progress. The recent briefing by the Secretariat on the service modules had been very helpful; such briefings and consultations with Member States should continue.

85. The Republic of Korea shared the view of many Member States that performance indicators were crucial to monitoring the work of the Organization and commended the Secretariat's ongoing efforts to develop such indicators.

86. With regard to field representation, his delegation believed that, since the number of field offices had already been decided upon, it now remained to strengthen the offices themselves. In order to be able to function properly, each field office should be provided with appropriate personnel and resources.

87. **Mr. ABU** (Ghana) said that the report of the Programme and Budget Committee on the work of its fourteenth session (IDB.20/2) implied that, owing to its critical financial situation, UNIDO was not in a position to undertake all its technical assistance projects. The Government of Ghana believed that all Member States, despite their own financial constraints, should endeavour to honour their financial obligations to the Organization.

88. His delegation was pleased to note the significant progress made in implementing the Business Plan and welcomed the proposals to introduce new integrated

services under the medium-term programme framework for the period 2000-2003. The consultations to be held with Member States prior to implementation of the programme framework would be invaluable in eliminating duplication and ensuring greater coordination that would no doubt lead to sustained capacity-building for industrial development. Maximum attention should be paid to small and medium-sized enterprises, given their important role in Africa's development.

89. The creation of the post of Special Adviser and Assistant Director-General on African Affairs was an indication of UNIDO's increased focus on Africa and the new thinking within the Organization regarding Africa's industrialization. That renewed interest, coupled with the corresponding commitment of all concerned, would contribute significantly to Africa's emergence from poverty, deprivation and marginalization.

90. The delegation of Ghana viewed with some concern the decline in the number of women in the Secretariat at a time when the trend in the United Nations system was to ensure gender balance, and hoped that, in recognition of women's immense contribution, in both the formal and the informal sectors, the necessary steps would be taken to remedy that situation.

91. **Ms. KAYGISIZ** (Turkey) said that the new integrated staff structure would enable programmes and projects to be implemented in a more coordinated manner. The simplified Secretariat structure would allow the Director-General to work more closely with staff members at all levels, particularly those directly responsible for projects.

92. Her delegation hoped that questions relating to the supplementary estimates concerning VIC-based requirements for the current fiscal year would be finalized following consultations to resolve the Buildings Management Service issue, and urged the Director-General to work towards a cost-effective solution which did not burden UNIDO with unnecessary tasks.

93. Turkey hoped that the intersessional working group on proposed amendments to the financial regulations would resume its work as soon as possible.

94. Her delegation fully supported the recommendations of the Programme and Budget Committee that donors be encouraged to contribute programmable funds, and that Member States enable UNIDO to acquire funds from bilateral sources. Also, Governments of recipient countries should take a greater share of responsibility for mobilizing funds for jointly identified high-priority projects.

95. The current gender balance in the Organization was far from satisfactory, particularly at decision-making levels. As part of its contribution to the United Nations system-wide efforts towards capacity-building in gender mainstreaming and equal opportunities in the Secretariat, UNIDO should make special efforts to appoint women to strategic positions.

96. Her delegation generally supported the proposals concerning the medium-term programme framework, 2000-2003, as set out in document IDB.20/9, and hoped that UNIDO would in that period demonstrate its unique expertise, especially in such areas as energy, the environment, the private sector and investment promotion. Turkey would continue to support UNIDO in its efforts to meet the growing needs of the developing and least developed countries, operating as a centre of excellence with a good balance between Headquarters and the field. Changes in the world economy, particularly in 1999, would need to be taken into careful consideration during finalization of the medium-term programme.

97. With regard to the field representation programme, Turkey wished to encourage the Director-General to continue to act as an honest broker in determining the field offices. UNIDO's field representation support should be conditional on financial or other contributions by host countries. Her Government was negotiating the establishment of a country office in Ankara, to serve the needs of a number of neighbouring countries. UNIDO's technical cooperation activities would be greatly enhanced in all aspects through close cooperation with subregional, regional and country offices.

98. **Mr. ALI** (Observer for Uganda) said that UNIDO's good performance during the year should not obscure the fundamental problems still faced by the developing countries. Most LDCs, especially those in Africa, had experienced severe and persistent economic crises marked by low or negative rates of growth attributable to a variety of internal and external factors, including structural constraints related to continuing high dependence on a small number of primary commodities and low resilience to external shocks. A radical transformation needed to be undertaken in those countries to enable them to enter the mainstream of global trade, investment and technology flows.

99. UNIDO could fully complement the industrialization efforts of the African countries. In the globalized and liberalized world economy, the Organization's role was more crucial than ever before. Reaffirming the fundamental importance of industrialization in the economic and social development of African countries, he appealed to all Member States, particularly the donor States, to give their political and financial support to the restructured and revitalized UNIDO.

100. In seeking to establish a strong, sustainable and internationally competitive industrial sector, his country had recognized the importance of private sector partici-

pation in the industrialization process. Active steps had been taken both to encourage African private entrepreneurs and to promote foreign investment. Support for small and micro enterprises was central to Uganda's programmes.

101. The visit to Uganda by the Director-General on his first tour of Africa had been followed up by a mission to formulate a programme on capacity-building to enhance the competitiveness and sustainability of the country's industrial development, with emphasis on micro and small enterprises and agro-based industries. The programme had been accepted in principle by the Government and its technical details would be elaborated by UNIDO with representatives of the Ugandan public and private sectors.

102. His delegation felt that there was a need to strengthen UNIDO's field representation not only in Uganda but in all LDCs. Document IDB.20/16 indicated that country-level UNIDO Representative placement would be supplemented by the establishment of a focal point in Uganda. It was hoped that that would be a temporary measure leading to a full UNIDO Country Director post for Uganda. While there was a need for host countries to contribute to the field offices, the Organization's obligations towards the LDCs, which required strong field representation, should not be overlooked.

103. The success of the programmes for the Second IDDA and the Alliance for Africa's Industrialization depended on adequate funding. The Ugandan delegation therefore welcomed the proposal for a donors' conference to be organized by UNIDO in 1999.

104. **Mr. ISMAILOV** (Observer for Azerbaijan) said that his delegation wished to reaffirm its country's support for UNIDO's reform process, which had been elaborated in such a way as to increase the effectiveness of the Organization and encourage exchanges of views on its programmes. It had been reassuring to note the initiatives that had been successfully undertaken in the further implementation of decisions adopted by the General Conference. Useful meetings had been held between UNIDO staff, Member States and prominent industrial development experts. Such undertakings would contribute to the implementation of the Business Plan and to the development of the new integrated services.

105. The forthcoming meetings to be held in Vienna on the issues of cleaner production and energy efficiency would be important stages in the formulation of projects to improve the environmental infrastructure and achieve greater energy efficiency in various sectors of the economy through reduced costs, enhanced competitiveness and the conservation of energy resources.

106. His delegation appreciated the work carried out by the Secretariat in designating field offices, transferring staff and decentralizing the Organization's operations. That would obviously assist the execution of local projects, the promotion of UNIDO services and the mobilization of funds at the country level.

107. The transformation of the structure of the Organization in accordance with the Business Plan was particularly important now that new policies and procedures were being introduced. While, in the course of the reform process, account had to be taken of UNIDO's leading role in industrial investment promotion, technology transfer and human resources development, and also of the unique expertise of its highly qualified professional staff, consideration might be given to the possibility of the Organization's involvement in projects in other spheres.

108. **Mr. CHAUNY DE PORTURAS HOYLE** (Peru) said that his Government welcomed the emphasis placed by the Director-General on effective cooperation between UNIDO and other international organizations with a view to achieving greater coherence within the United Nations system.

109. The drug problem was one of the greatest challenges facing the international community, with particularly negative repercussions in the Latin American and Caribbean region. The Peruvian delegation would support UNIDO's efforts to address that problem within the framework of the Business Plan and in close collaboration with the United Nations International Drug Control Programme, since the issue of drugs was linked to the development policy of the region's countries.

110. The related draft decision submitted for consideration by the Board at the present session was fully in line with the Action Plan on International Cooperation on the Eradication of Illicit Drug Crops and on Alternative Development, elaborated at the twentieth special session of the General Assembly on the world drug problem, and reflected the urgent need to take concerted measures at the global level to deal with the issue.

111. **Mr. KOCHARIAN** (Observer for Armenia) said that the Organization's innovative programmatic approach was to be commended in view of its possibilities for assisting countries with economies in transition in their efforts to accelerate their socio-economic development while at the same time addressing environmental concerns.

112. UNIDO's service modules were comprehensive in nature, ranging from industrial policy formulation to enterprise support services. Clearly not all countries needed integrated packages of services. Of the modules presented, the most important for his country were investment and technology promotion, SME policy framework, cleaner production, pollution control and waste management, and entrepreneurship development. Industrial policy

advice had already been successfully provided by the UNIDO expert mission to Armenia in June 1998. The next step was implementation.

113. An analysis of past and current activities suggested that Armenia's cooperation with UNIDO could be more effective. His delegation believed that UNIDO's programmes would have a stronger impact if they were integrated with ongoing technical assistance programmes. Armenia could perhaps be listed among the "showcase" countries. It had very high scientific research potential, with experts working in the fields of energy, reprocessing of agricultural products, laser technology and microelectronics, among others. Research and development institutions in his country, as in many other countries with transition economies, were somewhat divorced from the needs of industry. By establishing links with similar institutions in other countries, and seeking the support of donors with a view to the implementation of ideas for industrial applications, industrial competitiveness could be improved. In that connection, Armenia looked forward to UNIDO's forthcoming assessment mission to develop a project aimed at exploiting the country's research and development facilities.

114. His Government fully shared the concern about the financial stability of the Organization and recognized the need for timely payments by Member States. Despite its current financial difficulties, it was seriously addressing the matter of meeting its financial obligations.

115. **Mr. CAMARA** (Observer for Guinea) said that the fruitful cooperation between his country and UNIDO was reflected in the formulation, with the assistance of UNIDO and UNDP, of a framework programme of support for the private sector, to be implemented under an integrated UNIDO programme for Guinea extending over three years and consisting of three interrelated elements, which would make it possible to establish policy strategies and a legal and regulatory framework conducive to the sustainable development of the private industrial sector, to strengthen institutional support for the private sector, and to promote private industrial entrepreneurship.

116. The cooperation agreement amply indicated UNIDO's interest in his country, an interest which was both a recognition of Guinea's macroeconomic performance and the outcome of the synergies created between his Government and all the partners involved in its social and economic development efforts. The framework programme covered five years and had a budget of some $112 million. He hoped that UNIDO and Member States would assist in mobilizing the remaining funds needed to implement both the framework programme and the integrated programme. Guinea was ready to give its full support to help ensure the success of the planned activities and would provide human and material resources worth some $150,000, as well as other facilities.

117. In conclusion, he commended the Director-General's strategic vision for sustainable integrated development, the continued operation of the Conakry office, and the work of UNIDO's staff, particularly those dealing with his country and the African region.

118. **Mr. BOIKO** (Economic Commission for Europe (ECE)) said that one of the main objectives of ECE's operational activities was to assist countries with transition economies in the development and harmonization of legal instruments and norms and standard-setting in its areas of competence. Particular attention was paid to countries which did not benefit sufficiently from other technical assistance programmes. Given its limited resources, ECE recognized the multiplier effect of responding to requests from subregional groupings.

119. Considerable importance was attached to the United Nations Special Programme for the Economies of Central Asia (SPECA), adopted under the Tashkent Declaration signed earlier in the year by Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan with ECE and the Economic and Social Commission for Asia and the Pacific (ESCAP). The purpose of the programme was to assist the five Central Asian countries in intensifying cooperation in areas of common interest and in integrating into the European, Asian and world economies. Initially, the programme would focus on projects relating to the development of transport infrastructure and cross-border facilitation, the rational and efficient use of energy and water resources in Central Asia, a joint strategy for regional development and attraction of foreign investment, regional cooperation on the development of multiple routes for pipeline transportation of hydrocarbons to global markets, and industrial restructuring with a view to creating internationally competitive manufacturing industries.

120. Project working groups were already being set up and background diagnostic papers were being prepared for their first meetings. The Tashkent Declaration included an appeal to other organizations in the United Nations development system, supporting States, donor countries, international financial organizations and the private sector for their support. UNIDO could also make a valuable contribution to the Programme and actively cooperate with ECE and ESCAP in its implementation.

The meeting rose at 5.55 p.m.

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Industrial Development Board

Twentieth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 20 November 1998, at 10 a.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 10 a.m.

STATEMENT BY THE STATE SECRETARY, MINISTRY OF FOREIGN AFFAIRS OF AUSTRIA

1. **Ms. FERRERO-WALDNER** (State Secretary, Ministry of Foreign Affairs of Austria) said that a new sense of direction had been instilled into UNIDO since the appointment of the new Director-General. Following the completion of the most pressing administrative reform measures, the phase of programmatic reform had begun. In that effort, niches had been sought in international cooperation where UNIDO had a comparative advantage, leading to elaboration of the new integrated service packages. On Africa Industrialization Day, it should be remembered that the African States, particularly the least developed countries (LDCs), still lacked the basic infrastructure for developing their own industrial capacity. It was therefore appropriate that the first projects developed under the new programmatic approach should target Africa's LDCs.

2. The Consultation Meeting on Industrial Partnership and Investment in Africa to be held in 1999 between donor countries, agencies of the United Nations system and the private sector would also serve as a forum for funding the new UNIDO projects. The Business Plan on the Future Role and Functions of UNIDO enabled the Organization to make an important contribution in some cutting-edge areas of international cooperation, for instance, with regard to climate change. If international efforts in that field were to be successful, the transfer of technology to developing countries was essential, and it was there that UNIDO had an important role to play, with its well-established expertise in cleaner production. The Organization could also make a valuable contribution to the elaboration of the rules governing the clean development mechanism, whose accelerated implementation had been decided on at the recently held meeting of the parties to the Climate Change Convention.

3. The technical cooperation service modules constituted one of the most outstanding characteristics of the reform process and would enable UNIDO to provide tailor-made projects to meet specific requests of beneficiary countries. The greater orientation of the Organization towards its beneficiaries was further accentuated by the efforts to transfer resources and responsibility from Headquarters to the field.

4. In parallel, beneficiary countries were striving for enhanced representation at Headquarters. She therefore welcomed the establishment of the Group of 77 Chapter in Vienna and urged the Secretariat to pursue its negotiations concerning related cost-sharing arrangements with other Vienna-based agencies. The Vienna Office should be placed on an equal footing with the New York and Geneva Offices in regard to the representation of the Group of 77.

5. At the Director-General's recent briefing of the Administrative Committee on Coordination on the state of the UNIDO reform process, the attitude of Member States towards the Organization, as expressed by the delegations present in New York, could be seen to have markedly changed for the better. UNIDO's reform had become a success story in the United Nations.

6. The Organization would have to prove the success of its transformation by its service delivery. The financial commitment of the donor community was thus of the utmost importance. All delegations should help to ensure that UNIDO's efforts were of benefit to the poorest countries of the world.

The meeting was suspended at 10.15 a.m. and resumed at 10.25 a.m.

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (IDB.20/12, IDB.20/13, IDB.20/14, IDB.20/15; IDB.20/CRP.2)

FIELD REPRESENTATION (IDB.20/16, IDB.20/CRP.4)

PERFORMANCE INDICATORS (IDB.20/17, IDB.20/CRP.5)

7. **Mr. SULEIMAN** (Sudan) said that his delegation was pleased to note the high degree of priority given to Africa in the work of UNIDO. He hoped that it would be possible to make up for lost ground in Africa and that the Plan of Action for the Alliance for Africa's Industrialization could be successfully implemented.

8. UNIDO projects implemented during the last decade in Sudan had lacked impact and focus. He therefore welcomed the Organization's new integrated programmatic approach, comprising specific service modules, which bore the qualities of relevance and effectiveness.

9. New intellectual frontiers had to be explored and a viable and sound vision of development needed to be shaped, leading to concrete projects characterized by functionality and efficacy.

10. He deplored the inequities and handicaps prevailing in the international scene. While complaints were voiced about the inadequacy of constructive cooperation, vast resources were being wasted on ill-advised political

activities, the cost of which would more than meet the shortfall in UNIDO's funding.

11. **Mr. KUYAMA** (Joint Inspection Unit (JIU)) said that, in addition to the four JIU reports indicated in the Director-General's report (IDB.20/15) as being of direct relevance to UNIDO, the report on publications (JIU/REP/97/2) might also be of interest to the Board, although its recommendations were addressed primarily to the General Assembly and the United Nations Secretariat. The JIU report summaries contained in document IDB.20/15 adequately reflected the content of the reports and recommendations in question.

12. General Assembly resolution 50/233 had stressed that the impact of JIU on the cost-effectiveness of activities within the United Nations system was a shared responsibility of the member States, JIU and the secretariats of the organizations. The resolution also pointed out that JIU reports should be considered under the appropriate substantive agenda items, that legislative bodies should take concrete action on JIU recommendations, and that the recommendations approved by legislative bodies should be systematically followed up. He therefore hoped that the Board would review the current practice of handling JIU reports with a view to enhancing the contribution of JIU to the effective management and operation of UNIDO's activities.

13. **Mr. CLERISME** (Observer for Haiti) said that it was encouraging to note the number of field offices maintained by UNIDO and the action being taken to fill the existing vacancies. However, his delegation was greatly concerned that Haiti was the only least developed country in the Latin American and Caribbean region not to have a UNIDO Representative. The assignment of Associate Experts financed by donor countries was an interesting initiative which should be intensified, since their presence could make up for the absence of a UNIDO Representative. Some countries had not only a UNIDO Representative but also two or even three Associate Experts assigned to them, while others that greatly needed them had none. Efforts should therefore be made to meet the needs of other Member States, particularly least developed countries, which had neither a UNIDO representative nor an associate expert. He hoped that at least an Associate Expert could be assigned to Haiti, bearing in mind that it was a French-speaking country and that the language barrier would remain even if the focal point in Cuba or Ecuador could operate as a channel of communication. That would be consistent with the programme of cooperation between UNIDO and the World Trade Organization (WTO) concerning the implementation of the integrated framework for trade-related technical assistance in support of LDCs.

14. He was glad to note that UNIDO would contribute to the follow-up action on Haiti's technical assistance needs as identified at the high-level meeting held at WTO in October 1997. The presence of an Associate Expert could only increase the chances of success of UNIDO's technical assistance. The Board should take the information contained in document IDB.20/16 as a basis for strengthening the Organization's field representation and should give due consideration to the needs of Haiti.

15. As a follow-up to the high-level meeting, his Government intended, with the support of the United Nations Development Programme (UNDP), to organize a sectoral round-table meeting on trade-related activities in January 1999. UNIDO could be invited to attend that meeting if it so wished.

16. **Mr. ABU** (Ghana) said that his delegation noted with appreciation UNIDO's collaborative efforts to implement the programmes of the Second Industrial Development Decade for Africa (IDDA) and the Alliance for Africa's Industrialization, which would help achieve the objectives of the Business Plan through a multidisciplinary approach. Since the severe limitation of financial resources was one of the major obstacles to the development of the African continent, the mobilization of funds was crucial to the success of the Second IDDA and the Alliance. The active participation of all relevant bodies and organizations, including donor and international agencies, was vital at the preparatory stage. His country was prepared to share and explore with UNIDO various possibilities for identifying pilot countries in Africa in which UNIDO's new products could be put to the test.

17. The organization of a consultation meeting on industrial partnership and investment in Africa was a positive step. His delegation welcomed the widening of the scope of the conference beyond funds mobilization, for the purpose of initiating partnerships between the international community and actors in the industrialization of Africa. That would lead to consensus-building and the commitment of all parties to the projects initiated.

18. With regard to field representation, the significant progress made in filling vacant posts was indicative of the Director-General's commitment to the decentralization of UNIDO's activities, as the developing countries were becoming more aware that industrialization was the key to the eradication of poverty. With their semi-autonomous status, the field representatives would be better placed to make a more positive impact, which would be facilitated by regular consultation with Governments and the private sector. Ghana welcomed the steps taken to establish focal points in countries which did not have UNIDO

Representatives and supported the decision to operate five subregional offices. Decentralization and the delegation of authority to the field would further enhance the effectiveness of the Organization.

19. **Mr. KERMANSHAH** (Islamic Republic of Iran) said that the importance of industrialization as a dynamic instrument for economic and social development was undeniable. Despite the efforts and achievements of more than three decades, a lack of adequate resources and access to appropriate technology meant that many nations were still in the early stages of their development. UNIDO should play a crucial role in promoting the capacity of developing countries to take advantage of the global economy. His delegation was encouraged by the views of the Director-General in his opening statement at the current session regarding systemic change and the transformation of the Organization.

20. While welcoming the new service modules to improve the process of project formulation, his delegation wished to emphasize the need for conformity to the Business Plan. Technical cooperation among developing countries (TCDC) should also be taken duly into account. Service provision should be more flexible and tailored to the specific needs of individual countries. Some services, such as continuous improvement and quality management, energy efficiency, pollution control and waste management, and entrepreneurship development, were strategically more important than others.

21. UNIDO's ability to implement its programme depended on the availability of resources. The situation was aggravated by the tremendous decline in the regular budget over the current and last bienniums. It was important for all Member States to fulfil their financial obligations. However, the settlement of arrears owed by the former major contributor, representing nearly 57 per cent of the total outstanding contributions, would substantially relieve UNIDO's financial situation and should be given priority.

22. The current strategy for funding UNIDO's technical cooperation activities, based on both assessed and voluntary contributions, was not sufficient to meet the challenges ahead. Funds mobilization also required the enhancement of UNIDO's ability to bring together the valuable experiences and resources of Member States, and to operate as a demand-oriented and competitive organization supported by marketing activities.

23. The delegation of the Islamic Republic of Iran was in favour of strengthened collaboration between UNIDO and the United Nations International Drug Control Programme (UNDCP) on matters related to illicit narcotic drugs, the cause of deep concern in the Asian and Pacific region, mainly as a result of illegal cultivation in Afghanistan. With regard to UNIDO activities in support of Asia and the Pacific, as described in document IDB.20/14, most countries of the region were facing great difficulties in pursuing their industrial development and could benefit considerably from the Organization's assistance. The efforts of the Asia and the Pacific Bureau in identifying, formulating and implementing relevant programmes for that vast region were appreciated.

24. In his country, due attention was being paid to the application of environmentally friendly technologies, through industrial energy efficiency, reduction of air pollution and disposal of industrial pollutants. In addition to some Montreal Protocol projects already in process of implementation in close cooperation with UNIDO and UNDP, his Government was considering similar environment-related projects in cooperation with UNIDO, the Global Environment Facility and interested organizations. During the year, there had been closer dialogue with UNIDO's senior management on new investment promotion projects. Also, his country's human resource potential and research centres could be used by UNIDO within the framework of TCDC.

25. With regard to the field representation programme and delegation of authority to the field offices, the delicate process of establishing subregional offices would need to be closely coordinated in consultation with the Member States concerned. Constructive negotiations had taken place with the Secretariat with a view to further strengthening field representation in the Asia-Pacific region, through the establishment of a field office in Tehran. His Government's contribution would include suitable premises, office equipment and vehicles, and the salary of the National Professional Officer.

26. **Mr. FIGUEROA FISCHER** (Mexico) said that a particularly important subject for Mexico was the strengthening of field representation throughout the United Nations system. At a crucial time in the transformation of the Organization, the presence of offices and representatives needed to be reviewed, especially since the rationalization of resources had become a priority both for the United Nations and for its Member States. The implications of the relevant report prepared by the Joint Inspection Unit (JIU/REP/97/1) were far-reaching and should be seriously taken into account in the formulation of UNIDO's strategy regarding the field representation programme.

27. The Mexican delegation was concerned that there was no mention of that JIU report or its conclusions in the Director-General's report on field representation (IDB.20/16).

28. The emphasis placed on inter-agency cooperation, especially with UNDP and other entities of the United Nations system, was welcome. Despite UNIDO's commitment to the concept of coordination and unification of United Nations field representation, the delicate issue of financing UNIDO field offices appeared not to follow that global approach. The Secretariat had informally circulated draft cooperation agreements with host countries which ignored the first recommendation of report JIU/REP/97/1 that organizations and Governments should seek to reach a basic government agreement covering the entire United Nations presence. Also, those agreements did not deal with the question of coordination between different offices, thus ignoring the fifth recommendation that organizations represented in the field should intensify their efforts to establish and/or enhance common premises and services. On the contrary, the draft agreements referred to office space and staff for the exclusive use of UNIDO. Such an approach would mean the loss of a spirit of unity within the United Nations system and the wastage of scarce resources. According to the JIU report, the use of common facilities and services had contributed to improved coordination and could be the backbone for a more efficient and cost-effective United Nations family in the field. In the interests of countries that could not assume additional financial commitments, the reduction of office costs should be a priority consideration.

29. When examining the question of financing field offices, the Secretariat should take those recommendations into account and intensify its consultations with host countries.

30. **Mr. MAGARIÑOS** (Director-General) said that, as a result of the considerable progress made in implementing the field representation programme during the six-week period since distribution of the report on that item (IDB.20/16), it had been felt necessary to issue a supplementary note with updated information for the Board (IDB.20/CRP.4). Because of time constraints, the draft agreements sent to countries for signature had been based on the models prepared by the previous administration. Those forms of agreement would not be used in the future. He particularly wished to draw Member States' attention to the role performed by UNIDO as the leading specialized agency in the development of the United Nations resident coordinator system.

31. **Ms. ALEMAYEHU** (Observer for Ethiopia) said that her delegation wished to commend the Director-General for his report on the Second Industrial Decade for Africa (IDB.20/12) and his commitment to UNIDO's contribution to the industrialization of the African countries. Ethiopia fully supported the efforts made to organize a donors' conference and to establish a special fund for promoting the growth and expansion of small- and medium-scale industries. Those were important steps in the implementation of the Business Plan.

32. The continued implementation of the Second IDDA programme and the Plan of Action for the Alliance for Africa's Industrialization, as called for in General Conference resolution GC.7/Res.5 and Board decision IDB.17/Dec.4, and the successful implementation of the Business Plan depended on the availability of adequate human and financial resources. However, only six per cent of the overall contributions had been allocated to the IDDA. Decentralization of activities, as provided for in the Business Plan, required a level of field activities and assignment of staff which were currently unattainable. Experience with the pilot countries showed that the Organization could not cover more than 10 countries per year. The operational budget should accordingly be expanded to cover at least all African and least developed countries and to ensure the full implementation of the Second IDDA.

33. Her delegation was encouraged by the recent voluntary contributions made to the Industrial Development Fund (IDF) by the Governments of Belgium, Denmark, Germany and Japan, and called upon others to follow suit.

34. **Mr. STEPANEK** (Observer for the Czech Republic) said that the Director-General's strong commitment to strengthening UNIDO's field representation and regional presence was to be commended. It was not only an important part of the Business Plan but also a step forward in the overall process of reform of the United Nations. His delegation was particularly pleased to note that UNIDO Representatives were involved in the United Nations country teams engaged in the United Nations Development Assistance Framework (UNDAF) pilot phase, and welcomed the collaboration agreement recently concluded between UNIDO and UNDP.

35. The full integration of the specialized agencies in UNDAF was hampered by a number of institutional obstacles. The position of development funds and programmes reporting directly to the Economic and Social Council and that of the specialized agencies themselves within the United Nations system varied. Different working methods, financial rules, internal regulations and levels of decentralization and delegation of authority to the field would have to be reconciled in order to make UNDAF a success. UNIDO's effective participation in UNDAF, the United Nations resident coordinator system and the preparation of country strategy notes could serve as an example for other agencies to follow.

36. Fostering an international organization's field presence did not necessarily mean increasing the number

or size of its field offices. Other mechanisms currently available included specific agreements with public and private bodies and electronic networking. Bearing in mind the scarcity of UNIDO's resources, his delegation recommended that the Organization pursue alternative means of field representation to complement its traditional forms. Such new forms of representation should be in keeping with UNIDO's mandate and take due account of its financial constraints in order to avoid any negative impact on the budget or additional burden on Member States.

37. **Mrs. ESPINOZA PATIÑO** (Observer for Bolivia) said that UNIDO's approach with regard to the issue of field representation should ensure effective interaction and coordination between Headquarters and the field offices. She recalled in that connection Board decision IDB.19/Dec.4 requesting the Director-General to continue his consultations with Member States on the strengthening of field representation. Her delegation was fully prepared to participate in open discussions to define ways of increasing the efficiency of the field offices. While welcoming the Director-General's remarks concerning the informally circulated draft agreements setting out criteria for the payment of voluntary contributions, the Bolivian delegation agreed with the representative of Mexico that UNIDO should continue its efforts to contribute to the coordination of the United Nations field representation system.

38. **Mr. SIAGE** (Syrian Arab Republic) said that his delegation was appreciative of the efforts of the Director-General and his staff to transform UNIDO into an effective and efficient organization capable of meeting the challenges of the modern era. UNIDO had proved its ability not only to survive but also to evolve and play a decisive role in accelerating industrial development.

39. At its present session, the Board had the important tasks of evaluating what had been achieved so far and of giving new momentum to the decisions adopted at its last session and at the seventh session of the General Conference. His delegation supported the statements made on behalf of the Group of 77 and China, the African Group and the Arab Group.

40. His Government attached special importance to the excellent cooperation between Syria and UNIDO. The fruitful dialogue which had taken place during the Director-General's visit to his country had been an important step in strengthening that cooperation.

41. UNIDO had a variety of future tasks. Although obstacles were bound to arise, the Organization's objectives could be achieved with the will of Member States and the determination of the Secretariat and UNIDO's representatives in the field.

42. **Mr. FREEMAN** (United Kingdom), referring to the question of performance indicators, said that his Government was concerned that UNIDO should succeed in effectively and efficiently delivering services that were needed in developing countries and would contribute to the eradication of poverty as a long-term objective. At a time of resource constraints, national Governments and industry were evolving management techniques which included methods to permit the proper assessment of service delivery. The reform of the United Nations system as a whole, and of UNIDO in particular, would increasingly rely on such techniques. Appropriate evaluation measures needed to be devised, with targets that were quantifiable, transparent and objective. While applauding the Secretariat's efforts in that direction, his delegation believed that more needed to be done.

43. **Mr. MAGARIÑOS** (Director-General), replying to points raised, said that he was appreciative of the suggestions made by the representative of Hungary regarding the discussion of additional items, such as the role of technology transfer and the organization of industrial parks, within the context of the service modules. No changes would, however, be introduced into the service modules for the time being. With regard to the observations by the representative of Colombia concerning the marketing of the service modules in the various capitals, such a scheme was already being developed, for presentation in Africa, in collaboration with the Governments of the countries concerned. He would be grateful to the Latin American and Caribbean countries for their cooperation in undertaking a similar scheme in that region, and had already paid highly successful visits to Uruguay and Paraguay in that connection.

44. He regretted that it had not yet been possible for him to visit the Asia-Pacific region during the 11 months since his appointment. He intended to remedy that in the near future. Programmes for a number of Asian countries were being discussed with the Director of the Regional Bureau. Given the scarce resources available to UNIDO, it was not possible to satisfy all requests from all countries; there was a need to prioritize. He hoped to be able to report to the next session of the Programme and Budget Committee on a series of integrated programmes for the Asian and Pacific and the Latin American and Caribbean regions. That would also be an opportunity to hold a meeting with the Asian Group in order to review the work agenda.

45. The concerns expressed by the representative of Austria regarding the need for a gender balance in staff recruitment would be taken into account and attempts made to improve the relative position of women employees in the Organization, in line with staff career development criteria and the regulations laid down.

46. On the question of field representation, he agreed with the observer for the Czech Republic that it was not necessary to have an office in every country in order to enhance the presence of a multilateral organization. The approach followed by UNIDO, as reflected in the memorandum of understanding signed with UNDP, was to harmonize administrative procedures and financial mechanisms and to make use of shared premises for the Organization's field operations. UNIDO was making every effort to assume a leading role in the UNDAF programme. The budget approved at the last General Conference session was insufficient to administer 30 field offices, which was why representatives had not yet been appointed to the offices which had been opened. He would bear in mind the comments of the observer for Haiti when planning UNIDO's activities in the Caribbean area. More imaginative ways had to be found for dealing with the issue of funding, such as cost sharing. Above all, the approach adopted needed to be realistic. It was essential to ensure high-quality programmes in the field, not simply to have the United Nations flag flying.

47. While he agreed with the representative of China that Administrative Instruction 10 called for greater detail, he wished to point out that that document was simply a framework. Discussions were in progress with the staff concerning the introduction of a new evaluation and performance monitoring system. He would report on the issue in the coming months.

48. He invited the representatives of Mexico and Bolivia, who had expressed concern about the handling of the field representation programme, to submit their suggestions and views in writing. Perhaps there was a certain communication problem on what needed to be done in that area. It was the responsibility of the Secretariat to decide where and how UNIDO would be represented in the field, without reference to any considerations other than the reasonable views put forward by delegations. It was a micro-management issue which did not require any vote by the Board.

49. The reference by the representative of Poland to the need for a balance between stability and reform in UNIDO was a very pertinent point. The Organization was now arranging three-year staff contracts in most cases; that represented an important contribution to the stabilization of the framework within which UNIDO operated.

50. He endorsed the proposal by the representative of Japan for the establishment of an intersessional working group to discuss the design and impact of UNIDO's programmes, and welcomed the views expressed by the representative of the United Kingdom regarding performance indicators. The fostering of such dialogue would assist in the mobilization of voluntary contributions for development cooperation.

The meeting rose at 11.55 a.m.

Annex

SUMMARY OF A STATEMENT ON AGENDA ITEMS 4-6 SUBMITTED IN WRITTEN FORM ONLY

The statement summarized below was not delivered orally but submitted in written form only.

The representative of the GERMAN ACADEMY OF AGRICULTURE (DEULA-NIENBURG) said in his written statement that DEULA-Nienburg was a non-profit-making institution specializing in training in the field of agro-industry, with particular emphasis on developing countries and countries with economies in transition. Against the background of a highly competitive globalized economy, the agro-industrial sector was an important field for those countries and the development of strategies and policies to enhance competitiveness in that sector was crucial.

UNIDO's new focus on that field, particularly with regard to the organization of partnership networks at both the national and regional levels, was highly welcome. Those networks should include not only private industry and business associations but also research and development and training institutions.

DEULA-Nienburg believed that UNIDO could play a vital role in that sphere by providing a global policy forum to facilitate dialogue between the public and private sectors, industrial associations, and academic, training and other relevant institutions for the benefit of the developing countries and transition economies.

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Industrial Development Board

Twentieth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 20 November 1998, at 5 p.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 5 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.20/L.2-L.10)

1. **The PRESIDENT** said that a number of draft decisions had been approved in informal consultations under the chairmanship of Mr. Nur (Sudan), and he was now submitting them to the Board as drafts of the President.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE *(continued)* (IDB.20/2; IDB.20/L.7)

2. **The PRESIDENT** drew attention to draft decision IDB.20/L.7 on "Dates of the Programme and Budget Committee, fifteenth session".

3. *The draft decision was adopted.*

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 *(continued)* (IDB.20/3, IDB.20/5, IDB.20/6, IDB.20/10)

4. **The PRESIDENT** proposed that, in line with paragraph (c) of conclusion 98/5 of the Programme and Budget Committee (IDB.20/2), the Board should recommend that the General Conference take note of the information provided at the request of the External Auditor in document IDB.20/6.

5. *It was so decided.*

(b) FINANCIAL SITUATION OF UNIDO *(continued)* (IDB.20/8, IDB.20/11; IDB.20/L.2)

6. **The PRESIDENT** drew attention to draft decision IDB.20/L.2 on the "Financial situation of UNIDO; unutilized balances from the 1992-1993 biennium".

7. *The draft decision was adopted.*

(c) PROGRAMME AND BUDGETS, 1998-1999 *(continued)* (IDB.20/7, IDB.20/18; IDB.20/L.3)

8. **The PRESIDENT** drew attention to draft decision IDB.20/L.3.

9. *The draft decision was adopted.*

(d) FINANCIAL REGULATIONS *(continued)* (IDB.20/6)

10. **The PRESIDENT** said that, as no draft decision had been submitted under the sub-item, he proposed that the Board should take note of the documentation provided by the Secretariat.

11. *It was so decided.*

(e) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 *(continued)* (IDB.20/9; IDB.20/L.4)

12. **The PRESIDENT** drew attention to draft decision IDB.20/L.4.

13. *The draft decision was adopted.*

(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS *(continued)* (IDB.20/4; IDB.20/L.5)

14. **The PRESIDENT** drew attention to draft decision IDB.20/L.5.

15. *The draft decision was adopted.*

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES *(continued)* (IDB.20/12, IDB.20/13, IDB.20/14, IDB.20/15; IDB.20/L.8)

16. **The PRESIDENT** drew attention to draft decision IDB.20/L.8 on the "Contribution of UNIDO to the System-Wide Action Plan on Drug Abuse Control".

17. **Mr. WØHLK** (Denmark), stressing the importance for UNIDO's survival of having its efforts concentrated in areas where it enjoyed a comparative advantage, stated his country's opposition to assigning it an extraneous task, such as drug abuse control, which lay outside its mandate as outlined in the Business Plan. Notwithstanding the necessity of efforts in that area, which Denmark already supported through its contributions to other organizations and initiatives, the adoption of decisions such as the present one would oblige his country in future to tie its voluntary contributions to UNIDO to specific tasks defined in the Business Plan.

18. **Mr. UMER** (Pakistan), agreeing with the previous speaker that the draft decision lay outside UNIDO's mandate, said that the Organization had no experience in the area of drug control, for which a large international programme already existed.

19. **Mr. FREEMAN** (United Kingdom) said that his country's support for the draft decision was based strictly on the premise that the Director-General had no authority to exceed the mandate assigned to UNIDO by the Business Plan, which contained no reference to drug abuse control, and that any benefits in that area arising from UNIDO's activities would be indirect. The phrase "in conformity with the Business Plan" in paragraph (e) of the decision was crucial in that regard.

20. **Mr. TRUJILLO GARCÍA** (Colombia) felt that the objections that had been raised were fully covered by the qualifying phrases in paragraph (e) "in conformity with the Business Plan" and "within the framework of their objectives and competence". Furthermore, the Political Declaration adopted at the recent special session of the United Nations General Assembly on the world drug problem contained an appeal to organizations within the United Nations system to cooperate, within their respective spheres of competence, in alternative development efforts. The draft would merely request the Director-General to explore options within UNIDO's present mandate for furthering coordinated activities within the United Nations system, where appropriate.

21. **Mr. BORCHARD** (Germany) said that he had sympathy for the ideas motivating the draft decision but felt that it set a dangerous precedent by opening the way to similar decisions in the multifarious areas in which industrial development had an impact on socio-economic issues. There was the additional risk for the Organization of forfeiting credibility after a difficult period of reform in which it had won respect for its decisions. Notwithstanding his country's support for the efforts undertaken by the United Nations International Drug Control Programme (UNDCP), Germany could not allow a draft decision involving activities beyond UNIDO's mandate to be adopted without registering its profound concern.

22. **Mr. UMER** (Pakistan) noted that the draft would call on UNIDO "to join international efforts to combat the world drug problem". He proposed that the last part of paragraph (e) should be amended to read "in the framework of their respective mandates and competence, to promote, as appropriate, the efforts of the United Nations system to combat the world drug problem", and that paragraph (f) should read "Also requests the Director-General to include, as appropriate and necessary, any relevant information in future annual reports".

23. **Mr. MAGARIÑOS** (Director-General), after providing additional information concerning UNIDO's collaboration with UNDCP, which currently involved six projects, all funded by the latter at a total value of $5 million, with plans to incorporate further projects at a value of $20 million, suggested that the aim of the decision should be to express a political concern regarding the drug problem; the text could be shortened. He also wished to point out that UNIDO would not implement any activities that were not mandated by the Business Plan.

24. **Mr. TRUJILLO GARCÍA** (Colombia), supporting the amendments proposed by the delegation of Pakistan, stressed that the draft decision was not aimed at involving UNIDO in tasks outside its mandate.

25. **Mr. SALAZAR** (Venezuela) noted that the Political Declaration emanating from the United Nations General Assembly had been adopted at the level of Heads of State and Government. It was for Member States to determine to what extent and in what context action should be taken in that regard. The draft decision merely called for cooperation with other organizations of the United Nations system.

26. **Mr. FIGUEROA FISCHER** (Mexico) stressed his country's belief in the valuable contribution that UNIDO could make to the fight against drugs, particularly in relation to alternative development programmes.

27. **The PRESIDENT** suggested that the meeting should be briefly suspended to enable the delegations concerned to work out an acceptable text on an informal basis.

28. *It was so decided.*

The meeting was suspended at 5.50 p.m. and resumed at 6.25 p.m.

29. **The PRESIDENT** said that, following informal consultations, it was proposed that the last part of paragraph (e) should be amended to read "in the framework of their respective mandates and competence, to promote, as appropriate, the efforts of the United Nations system to combat the world drug problem", and that the last phrase of paragraph (f) should read "to include, as appropriate and necessary, any relevant information in future annual reports".

30. *It was so decided.*

31. *Draft decision IDB.20/L.8, as amended, was adopted.*

32. **The PRESIDENT** drew attention to draft decision IDB.20/L.9 on the "Special Programme for the Industrial Development of Asia and the Pacific".

33. *The draft decision was adopted.*

34. **The PRESIDENT** drew attention to draft decision IDB.20/L.10 on "Implementation of the Business Plan in Africa".

35. **Mr. IKEDA** (Japan) proposed that the beginning of paragraph (d) be amended to read "Welcomes" instead of "Is aware of", the latter formulation being insufficiently positive.

36. **Mr. NUR** (Sudan), expressing his support for that proposal, suggested a further amendment, whereby paragraph (b) would read as follows: "Recognizes, with appreciation to the Director-General, the speedy finalization of the new service modules of UNIDO in Africa and in particular in the least developed countries". The text would thus refer more specifically to what had already been achieved in practice.

37. **Mr. UMER** (Pakistan) expressed support for the Japanese proposal and suggested that the first part of paragraph (b) should read as follows: "Recognizes with appreciation the efforts of the Director-General in the speedy finalization ...".

38. **Mr. IKEDA** (Japan) suggested that the proposed addition at the end of paragraph (b) should read "in various regions of the world, particularly in Africa and especially in the least developed countries".

39. **Mr. FREEMAN** (United Kingdom), supported by **Mr. MOHAMMED** (Nigeria) and **Mr. RECONDO** (Argentina), suggested the wording "and their application in Africa".

40. **The PRESIDENT** said that, if he heard no objections, he would take it that paragraph (d) should be amended to read "Welcomes the positive outcome of the Second Tokyo International Conference on African Development (TICAD II) held in October 1998", and paragraph (b) to read "Recognizes with appreciation the efforts of the Director-General in the speedy finalization of the new service modules of UNIDO and their application in Africa".

41. *It was so decided.*

FIELD REPRESENTATION (*continued*) (IDB.20/16)

PERFORMANCE INDICATORS (*continued*) (IDB.20/17)

42. **The PRESIDENT** said that, as no draft decisions had been submitted under those two items, he proposed that the Board should take note of the documentation provided by the Secretariat.

43. *It was so decided.*

PROVISIONAL AGENDA AND DATE OF THE TWENTY-FIRST SESSION (IDB.20/CRP.1; IDB.20/L.6)

44. **The PRESIDENT** drew attention to draft decision IDB.20/L.6.

45. *The draft decision was adopted.*

ADOPTION OF THE REPORT (IDB.20/L.1)

46. **Mr. SPASOV** (Bulgaria), Rapporteur, introducing document IDB.20/L.1, said that it merely represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session.

47. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

48. *It was so decided.*

CLOSURE OF THE SESSION

49. **Mr. MAGARIÑOS** (Director-General) thanked the members of the Board for their comments and expressions of satisfaction at what he and the Secretariat had achieved. A climate of trust in the Organization had been established and he appealed for the continued help of delegations in 1999 to create the same feeling of consensus in the capitals, the private sector and academic circles in order to promote a positive image of UNIDO.

50. The Secretariat would play its part fully, would follow up thoroughly on all decisions taken, give all information requested and focus on producing results in the national programmes that were being prepared.

51. That would involve consolidating the financial situation of the Organization, as had been stressed by the Programme and Budget Committee. Progress in that respect would have a general effect. He expressed his particular thanks to the Government of Chile for its recent contributions.

52. He thanked all delegations for their important comments and assured them that those comments would be fully taken into account.

53. **The PRESIDENT** said that he wished to express his thanks to the Secretariat and all who had contributed to the success of the session. The Board had completed its work ahead of schedule, thus generating considerable savings.

54. He declared the session closed.

The meeting rose at 6.50 p.m.